

5th
Edition

BANGLADESH INCOME

TAX

Theory & Practice

- Nikhil Chandra Shil
- Mohammad Zakaria Masud
- Mohammad Faridul Alam

BANGLADESH INCOME TAX

THEORY AND PRACTICE

[Amended up to the Finance Act, 2024]

Seventeenth Edition

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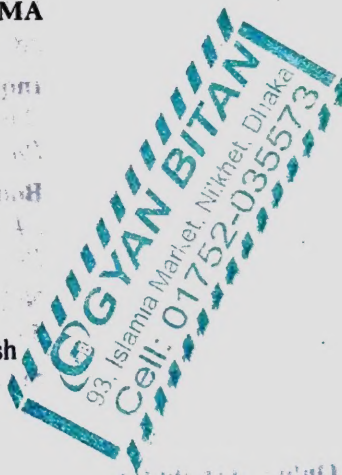
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Bangladesh Income Tax – Theory and Practice

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Dedicated to Our Parents

Acknowledgments

Welcome to the **Seventeenth edition** of *Bangladesh Income Tax: Theory and Practice*. We wish to thank the many people who helped us during the writing, editing, and production of our book. First, on our list of acknowledgments are our families and friends. We thank them for their patience and understanding as we were writing this book. We also wish to thank those instructors and practitioners who reviewed the earlier editions of our textbooks and provided many useful suggestions for improving the current edition.

Many of our colleagues and professional acquaintances were also extremely helpful. Each of those who have offered comments and suggestions has our thanks. All the feedback were enormously helpful in preparing the seventeenth edition of our book **Bangladesh Income Tax: Theory and Practice**. In this regard, we would like to express our deep sense of gratitude to them.

We would also like to express our deep sense of gratitude to all the writers of income tax and VAT related reference books in Bangladesh which were also helpful sources to us to update the chapters based on the latest provisions of the relevant Acts.

21/11/2019 10:00 AM

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Preface to the Seventeenth Edition

We are expressing our deep sense of gratitude to the almighty Allah for giving us the effort to complete the Seventeenth Edition of the book "Bangladesh Income Tax: Theory and Practice". The acceptance of the earlier editions of the book among readers throughout the country has encouraged us to present the thoroughly updated and revised sixteenth edition of the book.

This book has been contributing to the students, practitioners, and faculty members of various educational institutions for more than seventeen years. It aims at not only making the reader understand the provisions of Bangladesh income tax and other tax laws but also helping them develop the ability to apply it.

A new income tax law in Bangladesh titled "**The Income Tax Act, 2023**" came into force on June 22, 2023 through a gazette notification repealing and replacing the old law "The Income Tax Ordinance, 1984". This book tried to present the various provisions of the newly introduced law in a reader-friendly manner, supplemented by a good number of practical illustrations.

As in earlier editions, this edition of the book incorporates many special features to enhance the coverage of chapter materials and to help students understand chapter concepts. For example, each chapter begins with an outline and a list of learning objectives that emphasize the important subject matter of the chapter. Each chapter ends with a list of key points and includes sufficient multiple-choice questions, True/False identification, discussion questions, and problems that will be helpful to both the instructors and students.

This edition of our book includes significant changes based on the Finance Act, 2024; the Value Added Tax and Supplementary Duty Act, 2012; Income tax circulars and relevant SROs. We have also considered the comments and suggestions of our valued readers. The book also enumerates discussions along with illustrations regarding Income Tax, Value Added Tax, Gift Tax, Customs Duty, Travel Tax, Excise Duty, Baggage Rules, etc. which we expect to be helpful for the students to the academic needs of their taxation courses and more to make them feel an academic thirst for excellence.

Every effort has been made to avoid errors or omissions in this book. Despite this, some errors might have crept in. Any mistake, error, or discrepancy noted may be brought to our notice which shall be taken care of in the next edition. If any confusion arises, we suggest all the readers to cross-check the respective contents, and facts with original government publications and all notifications of laws, rules, regulations, and SROs published thereof. All types of suggestions for the improvement of the book from teachers, practitioners, and students would be taken with humble courtesy.

Dhaka: December 2024

Dr. Nikhil Chandra Shil
Dr. Mohammad Zakaria Masud
Dr. Mohammad Faridul Alam

Preface to the First Edition

We are expressing our deep sense of gratitude to the almighty God for giving us the effort to complete the book "Bangladesh Income Tax: Theory and Practice". The literature on Income Tax is, of course, without any paucity. This book on *Bangladesh Income Tax: Theory and Practice* is a little effort to enrich the existing income tax literature in Bangladesh. The present book, catering to the basic academic requirements of students of Commerce under BBA, MBA, BBS (Hons.) programs of various public and private Universities in Bangladesh and also to the students of CMA and CA courses, is an earnest attempt to present the inner sense of the income tax law and practice in Bangladesh. In fact, we have presented the subject to make the readers aware that the law of Income Tax is unique and interpretation of it is an art by itself. We have endeavored our best to present a well-covered package of review questions to highlight the conceptual issues. This book is just to cater to the academic needs of their courses and more to make them feel an academic thirst for excellence. The key strengths of this book are the clear and readable discussions of various provisions of ITO, 1984 and the detailed demonstrations of these provisions through illustrations, explanations and relevant case references.

This text includes the thoughts and contributions of many individuals, and we wish to express our sincere appreciation to them. First, and foremost, we want to express our deep sense of gratitude to Mr. Swapan Kumar Bala, FCMA and Prof. Dr. Syed Masud Hossain, from whom we have learned the joy of educational process regarding taxation courses. We would also like to thank our students from whom we have been inspired a lot. In many respects, this text is an outcome of the learning experiences we have shared with our teachers and students.

Second, we wish to thank the many outstanding teachers and authors in taxation who have been serving the students and academicians for a number of years with their resourceful books and writings. Their creative works have contributed a lot in making this text a more effective learning tool. We especially wish to thank: M.A. Baree, FCA; Dr. Monjur Morshed Mahmud; Dr. Kanchan Kumar Purohit; Dr. Milan Kumar Bhattacharjee; Fazlul Haque, FCA; M. A. Akkas; Md. Waliullah; Md. Helal Uddin, FCA; Syed Anwarul Islam; S.M. Mahbubul Islam and Md. Mahbubur Rahman.

We also wish to thank Prof. Dr. Mohammed Sharif, Vice Chancellor, East West University; Prof. Dr. Md. Abdul Hye, Dean, Department of Business Administration, East West University; Prof. Mamtaz Uddin Ahmed, President, ICMAB; Prof. Md. Hafiz Uddin, Principal, Dhaka City College for their encouragement and valuable suggestions. We are indebted to our colleagues in East West University and former colleagues in Daffodil International University and Dhaka City College for helping us to reach our goal of writing the best possible Bangladesh Income Tax related text.

Above all, we extend our deepest appreciation to our friends and families who continue to provide the encouragement and support necessary for this textbook project. Despite our best effort to ensure the accuracy, some mistakes or errors may still remain in the book. If any, we shall try to minimize in our subsequent editions. All types of suggestions for the improvement of the book from teachers and students would be taken with humble courtesy.

Nikhil Chandra Shil
Mohammad Zakaria Masud
Mohammad Faridul Alam

Dhaka: October 2007

Bangladesh Income Tax

Theory and Practice

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Bangladesh Income Tax

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Bangladesh Income Tax

Theory and Practice

1

Introduction

*"The art of taxation consists in so plucking the goose
as to get the most feathers with the least hissing."*

— Jean Baptist Colbert

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

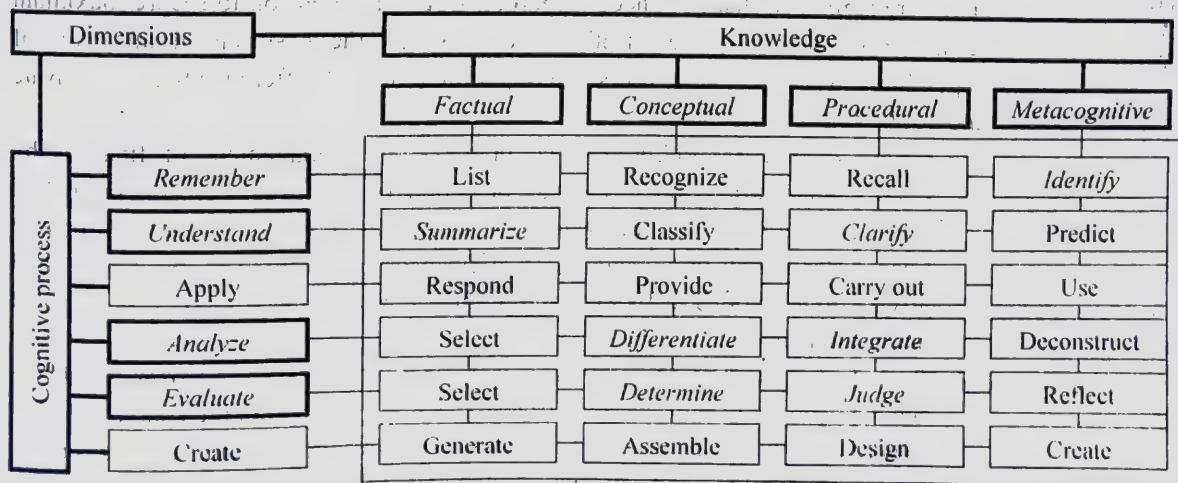
- CLO 1.1 explain the concepts of public finance and taxes
- CLO 1.2 determine the sources of public finance and taxes
- CLO 1.3 differentiate various types of taxes
- CLO 1.4 evaluate the features of taxes and a tax system
- CLO 1.5 explain taxes and public finance of Bangladesh
- CLO 1.6 explain the implications of taxes and public finance
- CLO 1.7 integrate historical orientation in existing taxation system
- CLO 1.8 summarize the rights and obligations of a taxpayer

KEY TERMS

Public finance, Maximum social advantage, Tax, Tax burden, Tax shifting, Cannon of taxation, Bangladesh tax structure, Income tax, Income tax law, Rights & obligations

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



1.1

CLO
1.1

PUBLIC FINANCE

The government of a country generally performs two types of functions, namely, obligatory functions (e.g., defense, maintenance of law-and-order situation etc.) and optional functions (e.g., providing various facilities to its citizens like infrastructure, health, environment etc.). To perform all these functions adequately and efficiently, government requires funds from the public who are the real beneficiary of the public expenditure. How and in what form the government should collect revenue and how it should spend it for the maximum benefit of the society is a matter to be decided by the government considering the various political and socio-economic characteristics of a country. The science that deals with the income and expenditure of the government and the principles, problems and policies relating to these matters is known as public finance. A few definitions will support the view:

"Public finance is the study of the principles underlying the spending and raising of funds by public authorities." – Findlay Shirras

"Public finance is one of those subjects which lie on the border-line between economics and politics. It is concerned with the income and the expenditure of public authorities and with the adjustment of the one to the other." – Hugh Dalton

"Public finance deals with the provisions, custody and disbursement of resources needed for the conduct of public or governmental functions." – H. L. Lutz

There is hardly any fundamental difference in the central idea of the above definitions i.e., public finance relates to the income and expenditure of a government.

1.2

CLO

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1.2

PUBLIC FINANCE VS. PRIVATE FINANCE

The basic principles of public finance and private finance are same. Individuals and states are similar in that both need resources. Both has intension to secure maximum results from their resources. Both attempts to get the best out of all items of expenditure. There are, however, some important points of difference between private and public finance. They are –

- **Nature of entities:** Public finance involves the management of finances by government entities (local, regional, or national) and focuses on funding public goods and services for the benefit of society as a whole. Contrarily, private finance deals with the management of finances by individuals, businesses, and private organizations. It focuses on optimizing wealth and resources for personal or corporate gain.
- **Period of Time:** For an individual, there is no definite period over which the accounts must be balanced. State tries to balance its budget in the course of year.
- **Objectives:** Public finance aims to provide public goods and services, ensure economic stability, and achieve equitable distribution of income. Its goal is

societal welfare and economic development. Private finance focuses on maximizing individual or corporate wealth, ensuring financial stability, and achieving profitability. The goal is to optimize resources for private gain.

- ❑ **Revenue sources:** In public finance, revenue primarily comes from taxation, borrowing (national debt), public enterprises, and government fees. In private finance, revenue comes from individual earnings, business profits, investments, and other private sources.
- ❑ **Decision making:** Public finance decisions are made through a political process, involving government officials, legislators, and public institutions. These decisions are often subject to public scrutiny and aim to meet the needs of the population. Private finance decisions are made by individuals, families, or business managers, typically based on maximizing financial returns and achieving personal or business goals.
- ❑ **Scope:** The scope of public finance is broader, affecting entire populations and economies, with long-term impacts on social welfare, economic growth, and distribution of resources. Contrarily, the scope of public finance is narrower, focusing on individual or corporate financial health, personal well-being, and business growth.
- ❑ **Accountability:** In public finance, governments are accountable to the public and must justify their spending and revenue collection through budgeting processes, audits, and transparency measures. In private finance, individuals or businesses are accountable to themselves or their shareholders. Financial decisions are often driven by market forces, profit motives, and risk management.

1.3

IMPORTANCE OF PUBLIC FINANCE

Public finance plays a crucial role in the economic and social development of a country. Its importance can be understood from various perspectives, including economic stability, equitable distribution of resources, and the provision of essential public goods and services. Below are some key reasons why public finance is important:

- ❑ **Provision of Public Goods and Services:** Public finance ensures the availability of essential goods and services that the private sector may not provide efficiently or equitably, such as education, healthcare, infrastructure, defense, and law enforcement. These services are vital for societal well-being and economic development.
- ❑ **Economic Stability:** Through fiscal policies (taxation, government spending, and borrowing), public finance helps stabilize the economy. Governments can counteract inflation or recession by adjusting their expenditures and revenues, thus promoting steady economic growth and preventing economic fluctuations.
- ❑ **Redistribution of Income:** Public finance plays a critical role in reducing income inequality. Through progressive taxation and social welfare programs (such as unemployment benefits, pensions, and subsidies), governments can redistribute wealth, helping to reduce poverty and support vulnerable populations.

- ❑ **Efficient Allocation of Resources:** Public finance ensures that resources are allocated efficiently to meet public needs. By directing funds towards sectors that need investment (such as infrastructure development or education), governments can support long-term economic growth and address market failures where private investment may be lacking.
- ❑ **Support for Economic Development:** Governments use public finance to invest in critical infrastructure projects (roads, bridges, energy, communication networks) and human capital (education, healthcare). These investments create the foundation for sustainable economic growth by improving productivity and enabling private sector growth.
- ❑ **Public Debt Management:** Public finance is essential for managing national debt. By controlling borrowing levels and ensuring that public debt remains sustainable, governments can prevent excessive interest payments and financial crises that could destabilize the economy.
- ❑ **Promoting Social Welfare:** Public finance funds social welfare programs that support the well-being of the population. This includes healthcare, education, housing, and unemployment benefits. By investing in social programs, governments can improve living standards and reduce social disparities.
- ❑ **Crisis Management:** In times of economic crises (such as financial downturns, natural disasters, or pandemics), public finance becomes a key tool for governments to respond effectively. Through emergency spending, economic stimulus packages, and relief programs, public finance helps mitigate the impacts of crises and supports recovery efforts.
- ❑ **Public Accountability and Transparency:** The management of public finances involves transparent processes, such as budgeting, auditing, and reporting. This ensures that public funds are used responsibly and that government actions are aligned with the needs and interests of the population.
- ❑ **Environmental Sustainability:** Governments can use public finance to fund environmentally sustainable projects and enforce regulations that promote the use of renewable energy, reduce pollution, and address climate change. By investing in green initiatives, public finance contributes to long-term environmental preservation.

In summary, public finance is critical for ensuring the efficient allocation of resources, maintaining economic stability, promoting social equity, and supporting sustainable development. It enables governments to fulfill their responsibilities toward society by funding essential services, infrastructure, and welfare programs.

1.4

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1.2

MEANING AND SOURCES OF PUBLIC REVENUE

Public revenue refers to the income that the government receives from various sources to finance its activities, such as providing public services, infrastructure, and welfare programs. Public revenue is essential for the functioning of the government, as it funds essential services like education, healthcare, law enforcement, and defense.

It also helps governments manage economic stability, reduce inequality, and invest in long-term development.

Sources of Public Revenue

Public revenue is typically categorized into two main types: tax revenue and non-tax revenue. Below are the primary sources of public revenue:

Tax revenue: It is the first and foremost source of public revenue. Taxes are compulsory payments to government without expecting direct benefit or return by the taxpayer. Taxes collected by Government are used to provide common benefits to all, mostly in form of public welfare services. The government collects tax revenue by direct & indirect taxes. Direct taxes include income tax, gift tax and wealth tax and indirect taxes are custom duty, excise duty, VAT, supplementary duty, service tax etc.

Non-tax revenue: It is the revenue obtained by the government from sources other than tax. The major sources of non-tax revenue are:

❑ ***Fees:*** These are charged by public authorities for rendering a service to the citizens. Unlike tax, there is no compulsion involved in case of fees. For example, fees are charged for issuing of passports, driving licenses, etc.

❑ ***Fines or Penalties:*** These are imposed as a form of punishment for breach of law or nonfulfillment of certain conditions or for failure to observe some regulations. Like taxes, fines are compulsory payments without quid pro quo.

❑ ***Surplus from Public Enterprises:*** The Government also gets revenue by way of surplus from public enterprises. In Bangladesh, the Government has set up several public sector enterprises to provide public goods and services. Some of the public sector enterprises do make a good amount of profits. The profits or dividends which the government gets can be utilized for public expenditure.

❑ ***Special assessment of betterment levy:*** It is a kind of special charge levied on certain members of the community who are beneficiaries of certain government activities or public projects. For example, to construct a bridge a government may impose levy on people in that locality since they may experience an appreciation in the value of their property or land.

❑ ***Grants and Gifts:*** Gifts are voluntary contributions by individuals or institutions to the government. Gifts are significant source of revenue during war and emergency. A grant from one government to another is also an important source of revenue in the modern days. Grants from foreign countries are known as Foreign Aid. Developing countries receive military aid, food aid, technological aid, etc. from developed countries.

❑ ***Deficit Financing:*** Deficit means an excess of public expenditure over public revenue. This excess may be met by borrowings from the domestic sources, from abroad, or by the central bank creating currency.

Borrowing: While not a regular source of revenue, governments often borrow money to finance expenditures when revenues are insufficient. Borrowing can take the form

of issuing bonds, taking loans from international financial institutions (such as the World Bank), or borrowing from domestic financial markets.

Money Creation: In certain circumstances, governments may resort to creating money through their central banks to finance expenditures. This is usually a last resort and can lead to inflation if not managed carefully

In summary, public revenue comes from a combination of taxes and non-tax sources. Tax revenue, particularly from income and consumption taxes, is the largest component, but non-tax revenues such as fees, fines, and earnings from public enterprises also contribute significantly to government income. This revenue allows the government to fulfill its role in providing public goods, ensuring economic stability, and promoting social welfare.

1.5

DEFINITION OF TAX

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1.1

The word "tax" originates from the Latin word "taxare," which means "to assess," "evaluate," or "estimate." In Roman times, the word was used in the context of assessing the value of goods or property, particularly for the purpose of levying charges or duties on them. The Latin word "taxare" evolved into "taxer" in Old French, carrying the similar meaning of assessing or imposing a charge or levy. The word "tax" entered the English language during the Middle English period (roughly 1150–1500) through the Norman influence. By this time, "tax" had taken on its modern meaning of a compulsory charge or levy imposed by the government on individuals or property to raise revenue for public purposes. It is a non-penal but compulsory and unrequited transfer of resources from the private to the public sector, levied based on predetermined criteria.

According to Article 152(1) of the Constitution of Bangladesh, taxation includes the imposition of any tax, rate, duty or impost, whether general, local or special, and tax shall be construed accordingly. Taxes are the most important source of revenue of the modern governments. It is a compulsory levy, to be paid by the citizens who are liable to pay it, imposed by the government. Many economists like Seligman, Adam Smith, Bastable, Taussig and Dalton hold the unanimous opinion that tax is a compulsory payment to the government by taxpayer without any expectation of some specified return. The followings are the various definitions of tax given by different economists:

"tax" means the income tax payable under the income tax act and includes any additional tax, excess profit tax, penalty, super tax, fine, interest, fees or other charges leviable or payable under this act – Section 2(21) of the ITA 2023

"A tax is purely and simply a contribution, whether direct or masked which the public authorities impose upon the inhabitants or goods for the purpose of defraying government expenditure." – Leroy Beaulieu

"A tax is a compulsory contribution imposed by a public authority irrespective of the exact amount of service rendered to the taxpayer in return and not imposed as penalty for any legal offense." – Dalton

"Taxes are compulsory payment to government without expectation of direct return in benefit to the taxpayer." – P. E. Taylor

The above definitions make it clear that taxes are compulsory contribution by the taxpayer to the government.

1.6

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1.4

CHARACTERISTICS OF TAX

The characteristics of a tax may be studied under the following heads:

- ☐ Tax is levied by the government as per Sec 83 of the Constitution of Bangladesh.
- ☐ Payment of taxes is non-penal and compulsory; hence refusal to pay a tax is a punishable offence.
- ☐ An element of sacrifice is there in the payment of a tax as they pay the taxes in order to ensure public interest.
- ☐ The aim of tax collection is to finance the government expenditure to ensure public interest and welfare.
- ☐ Tax is not the cost of the benefit conferred by the government on the public. The benefit received from the country is not directly the return of tax.
- ☐ It is one of the prime sources of revenue for the government.
- ☐ Tax is not any fine or penalty.
- ☐ Tax can only be imposed by the government of a country.

1.7

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PURPOSES OR OBJECTIVES OF TAXATION

Taxation is a major source of revenue for the government. In order to accelerate economic development as well as to ensure the defense, administration, social welfare and other development activities government needs huge amount of resources.

Taxation is a way to transfer the resources from private or non-government sectors to government sectors. The main purposes or objectives of tax are enumerated below:

- ☐ **Revenue collection:** Tax is a major source of revenue for the government. In Bangladesh tax revenue accounts for nearly 85 percent of the total government revenue. Therefore, the first and foremost aim of taxes is to raise public revenue to meet the over increasing public expenditure.
- ☐ **Reduction of inequalities in income and wealth:** One of the main objectives of taxation is to reduce inequalities in income and wealth. This is possible by taxing rich people heavily and to confer benefit to the poorer section through progressive income tax, wealth tax, expenditure tax etc.
- ☐ **Accelerating economic growth:** In order to ensure the economic growth, the tax system must be so designed as to raise the rates of savings and investments. This savings may be invested in productive sectors of the country.

- *Control of consumption:* The government not only raises revenue through taxation, but it also imposes restriction on the use of certain goods and services in a way desirable and respectable for a healthy state of the society. Taxes on intoxicant, tobacco etc. raise public revenue no less than other taxes but their main aim is to prevent the deterioration of health of general public. More tax is also levied on luxury goods to reduce their use.
- *Protection of local industries:* In order to protect the local industries from the uneven competition government may provide tax incentives for poor local industries and so, should design the tax policy to ensure the protection of poor local industries.
- *Economic development:* The tax revenue can be used by the government to ensure the economic development of the country. It can be used to build the infrastructure, to invest in social security programs, in various poverty elevation programs. Government can invest in productive sectors and can reduce unemployment.

So, it can be said that the purpose of tax is not only the collection of revenue, but also to ensure the economic development and social welfare of the country. But it is only possible when the country designs the tax policy in an effective and efficient manner.

1.8

CLO
1.1

TAX BASE

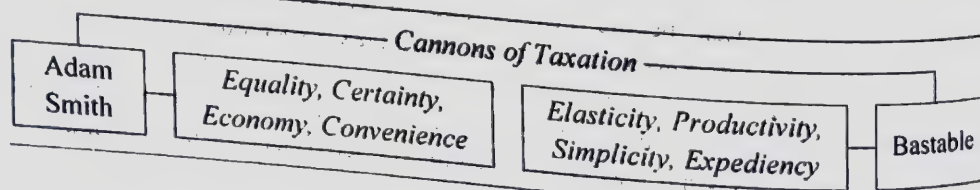
A tax base is a total amount of assets or income that can be taxed by a taxing authority, usually by the government. It is used to calculate tax liabilities. This can be in different forms, including income or property. A tax base is defined as the total value of assets, properties, or income in a certain area or jurisdiction. To calculate the total tax liability, the tax base must be multiplied by the tax rate i.e. (Tax Liability = Tax Base × Tax Rate). The rate of tax imposed varies depending on the type of tax and the tax base total. Income tax, gift tax, and estate tax are each calculated using a different tax rate schedule.

1.9

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CANONS OF TAXATION

Canons of taxation refer to the administrative aspects of a tax. They relate to the rate, amount, method of levy and collection of a tax. In other words, the characteristics, or qualities which a good tax should possess are generally described as canons of taxation. According to Adam Smith, there are four canons or maxims of taxation which are still recognized as classic and there are some other canons referred by other economists some of which are explained below:



- ☐ *Canon of Equality:* The canon of equality implies that the burden of taxation must be distributed equally or equitably in relation to the ability of the taxpayers. Equity or social justice demands that the rich people should bear a heavier burden of tax and the poor a lesser burden.
- ☐ *Canon of Certainty:* The canon suggests that the tax which an individual must pay, should be certain and not arbitrary. The taxpayer should be well informed as to the time, amount, and the method of the payment of tax.
- ☐ *Canon of Economy:* Every tax ought to be so contributed as both to take out and to keep out of pockets of the people as little as possible, over and above what it brings into the public treasury of the State.
- ☐ *Canon of Convenience:* Every tax ought to be levied at the time or in the way it is most likely to be convenient for the contributor to pay it.
- ☐ *Canon of Productivity/Adequacy:* The State should be able to function with the revenue raised from the people by means of taxes which should adequately cover the government expenditure and cannot be forced to resort to deficit financing.
- ☐ *Canon of Simplicity:* This norm suggests that tax rates and tax systems ought to be simple, plain, and intelligible to the common understanding.
- ☐ *Canon of Elasticity:* The tax system should be flexible so that it is possible for the authority to revise the rates and system with the least inconvenience to increase or decrease the revenue.
- ☐ *Canon of Diversity:* A tax system should not be based on a single tax or only a few taxes. There should be a large variety of taxes so that all the citizens, who can afford to contribute to the State revenue, should be made to do so. There should be a wide admixture of direct and indirect taxes.
- ☐ *Canon of Expediency:* A tax should be determined on the ground of economic, social, and political expediency.
- ☐ *Canon of Functional Efficiency:* A tax policy and system of a country should be effective and efficient so that it can generate sufficient revenue for the government to ensure the economic development of the country. The system should be able to reduce the harassment and tax avoidance.

A tax system with the above canons will be able to generate sufficient revenue and fulfill the objectives and purposes of taxation.

1.10

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14

CHARACTERISTICS OF A GOOD TAX SYSTEM

Tax has a very important role in the economic development of a country. As a major source of government revenue, tax ensures the availability of resources for the various development programs undertaken by the government. A good tax system is one which has predominantly good taxes and which fulfils most of the canons of taxation and yields sufficient revenue yet cause minimum aggregate sacrifice to the people and minimum obstruction to incentives for production. When a satisfactory balance is struck between these two objectives, it is an ideal tax system. In order to be treated as a good tax system, it should be featured with following characteristics:

- ☐ Tax should be levied based on fundamental principles of taxation like the principle of least sacrifice, cost, and benefit and above all ability to pay.
- ☐ Taxes should follow the most important canons, i.e., it should be equitable, convenient to pay, certain, economical, productive, and elastic.
- ☐ Tax system should be balanced containing both direct and indirect nature of taxes so that it can maximize government revenue.
- ☐ The tax authority should be supported by sufficient simple laws and rules, skilled manpower and efficient administrative tools and techniques.
- ☐ Tax system should have positive effect on production and distribution without causing any adverse effect upon ability and willingness to work, save and invest.
- ☐ The tax system should be so framed as to ensure that the productive resources of the economy are optimally allocated and utilized. For this purpose, it is essential that the tax system should be economically neutral.
- ☐ A good tax system has least collection cost to collect maximum amount of taxes.
- ☐ The tax system should provide no scope for the evasion of tax by the taxpayer.

Above all, the tax system should abide by the principle of maximum social advantage so that the society is benefited to the maximum effect possible. Maximizing social advantage or least aggregate sacrifice is not the task of one tax, but from all the taxes.

1.11

TAX IN ECONOMIC DEVELOPMENT

CLO
1.6

The classical economists were in view that the only objective of taxation was to raise government revenue. But with the changes in circumstances and ideologies, the aim of taxes has also been changed. These days apart from the object of raising the public revenue, taxes are levied to affect consumption, production and distribution with a view to ensuring the social welfare through the economic development of a country. For such instance, tax can be used as an important tool in the following manner:

- ☐ *Optimum allocation of available resources:* Tax is the most important source of public revenue. The imposition of tax leads to diversion of resources from the taxed to the non-taxed sector. This revenue is allocated on various productive sectors in the country with a view to increasing the overall growth of the country. Tax revenue may be used to encourage development activities in the less developed areas of the country where normal investors are not willing to invest.
- ☐ *Raising government revenue:* In modern times, the aim of public finance is not merely to raise sufficient financial resources for meeting administrative expenses, for maintenance of law and order and to protect the country from foreign aggression. Now the main object is to ensure the social welfare. The increase in the collection of tax increases the government revenue. It is safer for the government to avoid borrowings by increasing tax revenue.
- ☐ *Encouraging savings and investment:* Since developing countries like Bangladesh has a mixed economy, care has also to be taken to promote capital formation and investment both in the private and public sectors. Taxation policy is to be directed to raising the ratio of savings to national income.



- (a) Define tax.
(b) State the canons of taxation as specified by Adam Smith.

- ☐ *Reduction of inequalities in income and wealth:* Through reducing inequalities in income and wealth by using an efficient tax system, government can encourage people to save and invest in productive sectors.
- ☐ *Accelerating economic growth:* Tax policy may be used to handle critical economic situations like depression and inflation. In depression, tax policy is set to increase the consumption and reduce the savings to increase the aggregate demand and vice versa.
- ☐ *Price stability:* In under-developed countries, there is another role to maintain price stability to ensure growth with stability.
- ☐ *Control mechanism:* Tax policy is also used as a control mechanism to check inflation, consumption of liquor and luxury goods and to protect the local poor industries from the uneven competition. Taxation is the only effective weapon by which private consumption can be curbed and thus resources transferred to the State. Thus, the economy can ensure sustainable development.

Thus, it can be said that the economic development of a country mainly depends on the presence of an effective and efficient taxation policy.

1.12

TAX BURDEN AND IT'S ALLOCATION APPROACHES

Tax burden is considered as the amount of tax paid by a person, company, or country in a specified period considered as a proportion of total income in that period. For public finance purposes the tax burden, or tax ratio, in a country is computed by taking the total tax payments for a particular fiscal year as a fraction or percentage of the Gross National Product (GNP) or national income for that year. The following popular approaches are evident to allocate the tax burden.

The Expediency Approach

Under this approach, every tax proposal must pass the test of practicability. It must be the only consideration weighing with the authorities in choosing a tax proposal. Economic and social objectives of the state and the effects of a tax system should be treated as irrelevant since it is useless to have a tax which cannot be levied and collected efficiently. There are pressures from economic, social, and political groups having their own agenda and authorities are often forced to reshape tax structure to accommodate these pressures. In addition, the administrative set up may not be efficient to collect the tax at a reasonable cost of collection. Taxation provides a powerful set of policy tools to the authorities and should be effectively used for alleviating economic and social problems of the society such as income inequalities, regional disparities, unemployment, cyclical fluctuations and so on.

The Socio-Political Approach

Adolph Wagner is the pioneer of this approach. He emphasized that social and political objectives should be the deciding factors in choosing taxes. Each economic problem should not be focused through individualist approach rather should be looked at in its social and political context to find out an appropriate solution. A tax system should not be designed to serve individual members of the society but should be used to cure the problems of the society. This approach advocates a modern welfare approach in evolving and adopting a tax policy that can be used for reducing income inequalities. Wagner believed that private property and inheritance were the result of state policies and not because of any God-given rights. The State, therefore, should have the right to control the ownership of property and its inheritance in the interests of the society. Wagner's ideas, though much criticized at that time, are now the hallmark of fiscal policies of modern state.

The Benefits Received Approach

This approach assumes that there is basically an exchange or contractual relationship between taxpayers and the state. The state provides certain goods and services to the members of the society, and they contribute to the cost of these supplies in proportion to the benefits received. In this quid pro quo set up, there is no place for issues like equitable distribution of income and wealth. Instead, the benefits received are taken to represent the basis for distributing the tax burden in a specific manner. This approach overlooks the possible use of the tax policy for bringing about economic growth or economic stabilization in the country.

The Cost-of-Service Approach

This approach is very similar to the benefits-received approach. It emphasizes the semi-commercial relationship between the state and the citizens to a greater extent. The implication is that the citizens are not entitled to any benefits from the state and if they do receive any, they must pay the cost thereof. In this approach, the state is being asked to give up basic protective and welfare functions. It is to scrupulously recover the cost of the services and therefore this theory, unlike the benefits-received one, specifically implies a balanced budget policy. In the process, the state is not to be concerned with the problems of income distribution. No effort is to be made to improve income distribution; and no notice is to be taken if the policy of levying taxes according to the cost-of-service principles deteriorates it further.

The Ability to Pay Approach

This approach considers tax liability in its true form i.e. compulsory payment to the state without quid pro quo. It does not assume any commercial or semi-commercial relationship between the state and the citizens. According to this theory, a citizen has to pay taxes just because he can and his relative share in the total tax burden is to be determined by his relative paying capacity. This approach has been supported by the socialist thinkers because of its conformity with the ideas and concepts of justice and equity. However, it has also received an equally strong support from non-socialist

thinkers and became a part of the theory of welfare economics. The basic principle of this approach is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles advocates that the tax burden is apportioned according to their relative ability to pay.

1.13

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1.4

IMPACT, INCIDENCE, EFFECT AND BURDEN OF TAX

Taxes impose a burden on the taxpayer because he sacrifices something. This burden does not always lie on the shoulders of a person from whom it is collected. In many cases, the burden is shifted to some other person who ultimately pays the tax. In the study of taxation, it is necessary to know who bears the ultimate burden of tax. This classification of burdens led to the conceptions of impact, shifting and incidence of taxes. These three concepts are:

Tax Impact: The impact of tax is the immediate money burden i.e., where tax falls on the person who pays the tax in the first instance (i.e., who has legal responsibility to pay). The impact of tax is on whom the tax is imposed. The person, who pays the tax to the government, bears its impact. For example, an income tax is levied on the net income/profit of a company who is legally bound to pay it to the government.

Tax Incidence: On the other hand, incidence of tax means the final money burden of a tax i.e., ultimate resting point of tax (i.e., who ultimately pay it whether it may or may not be levied on him). The incidence of tax is on the person who cannot shift it to anybody else. For example, the incidence of customs duty / value added tax is on the consumer as he will ultimately pay tax with the acquisition price.

Effect of Tax: When a tax is imposed and collected, it involves certain responses from taxpayers and the economy. Such responses can be of great variety and can profoundly influence the working of the economy in terms of production, growth, savings, investment, choice of techniques of production, regional imbalances, inequalities of income and wealth, and so on. These responses and their results are collectively called the *effects of that tax*. These effects can be the result of the fact of tax imposition itself and they could also follow from the process of shifting its incidence. Effects of a tax can be both beneficial and harmful. Harmful effects of a tax will be referred to as the *burden of that tax*.

Burden of Tax

- ☐ **Money burden/formal incidence** is the reduction in the disposable income of the taxpayers. This can be of two types:
 - **Direct money burden** is the tax paid by the taxpayers to the tax authorities.
 - **Indirect money burden** is the additional money expenses incurred by the taxpayers for tax payment.
- ☐ **Real Burden** is the loss of welfare to the taxpayers and the community, in terms of increasing unemployment, reduced production, etc. This can be of two types:

- *Direct real burden* – sacrifice of the welfare which the tax itself imposes upon the taxpayers, but not as net of the benefits, if any
- *Indirect real burden* – indirect loss of welfare which results from interference with consumer choice, changes in factor supply and hence total output, and changes in employment through changes in aggregate demand.

Distinction between Impact and Incidence of Tax

A distinction can be made between the impact and incidence of a tax as follows:

- ☐ Impact refers to the initial burden of a tax whereas incidence refers to the ultimate burden of tax.
- ☐ Impact of tax falls on the person who initially bears it and pays to the government while the incidence of tax falls on the person who ultimately bears it and who cannot pass it on to some other person.
- ☐ The incidence of tax cannot be shifted whereas the impact of tax can be shifted.

Generally, the impact and the incidence of a direct tax are on the same person because it is ultimately paid by a person on whom it is initially levied whereas the impact and incidence of an indirect tax are on different persons because it can be easily shifted to some other person who ultimately pays it.

Distinction between Incidence of Tax and Effect of Tax

A distinction can be made between the incidence and effect of a tax as follows:

- ☐ A tax reduces the income of the person on whom the incidence rests, while the tax effect is the pressure or influence of the incidence (such as forced reduction of consumption and investment for disposable income reduced by tax incidence).
- ☐ Tax incidence is direct money burden and tax effect is the indirect money burden.
- ☐ The effects of a tax can be the result of the fact of tax imposition itself (impact) and they could also follow from the process of shifting its incidence.

1.14

TAX SHIFTING

The process of transferring the direct money burden of a tax to another person is known as the shifting of tax i.e., if incidence differs from impact, tax is said to have been shifted. In the above example, the customs duty / value added tax paid by the manufacturer, may be added to its cost and the price of the product will be increased by the amount of tax and thereby shifts the burden to the consumer. This process of passing on the burden is called shifting of a tax. Shifting of tax incidence is done through the means of a price variation. Tax shifting may be –

- ☐ *Single point shifting vs. multi-point shifting*: When a trader shifts his tax burden to the consumer, it is known as single point shifting as the consumer cannot shift his tax burden. On the other hand, when the tax burden is shifted to the consumer through different points, it is known as multi-point shifting. For example, the VAT on a commodity is multiple points shifting because it is levied and first paid by the importer but, later, the importer shifts the burden on to the wholesalers, who in turn shifts it on to retailers and retailers finally to consumer.

- **Forward vs. Backward Shifting:** If a tax incidence is shifted through a sales transaction, it is called forward shifting. For example, an excise duty imposed on a producer may be shifted to a consumer, or a value added tax (VAT) imposed on a seller may be shifted to a buyer. In case of multi-stage forward shifting of tax incidence, a tax incidence shifted from a seller to an intermediate purchaser who will also shift it to another buyer and so on until the tax finally settles on the ultimate purchaser or consumer, it may be called that the tax is being shifted onward.

On the other hand, if a tax incidence is shifted through a purchase transaction, it is called backward shifting. If a VAT imposed on a consumer who can shift it to the producer, or a VAT imposed on a buyer and he can shift it to the seller, then it will be backward shifting. Backward shifting may be through tax capitalization when a tax affects the capital value of assets. If a tax changes the expected yield of an asset, then it will also change its market price. In other words, the tax has been capitalized. Say, a durable good is subject to a periodic tax (e.g., equivalent to previous annual license fee on TV) and an equivalent of the future tax payments is found in terms of the present value (PV) of the periodic tax discounted based on interest rate. If the purchase price of the durable item is reduced by a part or full amount of this PV by the purchaser, then it is called tax capitalization.

Theories of Tax Shifting

- **Concentration Theory:** This theory was advocated by the physiocratic school of thought in France during the middle of the 18th century. This approach maintains that there is an inherent tendency for the taxes to be absorbed by certain income classes (e.g., tax on wage or tax on land income only). Here, each tax tends to concentrate on a particular class of people who happen to enjoy surplus from their products. This theory advocated that the government should concentrate on a single tax on economic rent earned by landlord. It also stood in favor of abolishing the diversified tax structure.
- **Diffusion Theory:** The diffusion theory was developed by the French writer like Canard and Mansfield. Diffusion theory is developed, contrary to the concentration theory. This theory asserted that all taxes are diffused among the members of a community. This theory holds that government may impose such taxes as are most easily assessed and collected and will cause the least obstruction to national wealth. The diffusion theory of taxation assumes of perfect competition and complete mobility of all economic agents. According to this theory, the individuals from whom the tax is collected will not ultimately bear the entire burden of taxation. The burden will be shifted on to other classes and finally it will be diffused all over the society, untraceable. Because of the constant interaction of sales/purchase transactions, eventually it becomes impossible to trace the final incidence of any tax and in reality, all taxes get "diffused" in the economic system.

- ☐ **Demand and Supply Theory:** This theory starts with the basic fact that incidence of a tax can be shifted only through sale/purchase transactions, and therefore, only through a variation in prices. According to this theory, a tax can be shifted only through a shift in the demand and/or supply curves and the sharing of the incidence will be determined by the demand and supply elasticity. If the demand is inelastic, tax can easily be shifted by the seller to the buyer. Where demand is elastic, the burden of tax will mainly be borne by the seller. Actually, the tax burden will be shared between the buyer and the seller in the ratio of the elasticities of supply and demand of the taxed item.

Additional Factors Influencing Tax Shifting

As we have already discussed in the Demand and Supply theory of Tax Shifting, the following two factors are mainly behind any kind of shifting in tax:

- ☐ Elasticity of supply
- ☐ Elasticity of demand

Additional Factors Influencing Tax Shifting:

- ☐ Type of tax: transaction tax easier to shift.
- ☐ Price being fixed & accepted as normal: difficult to shift through price variation.
- ☐ Tax rate: small tax chosen to be borne by the seller in a competitive situation.
- ☐ Tax on commodity having close and effective substitute: difficult to shift.
- ☐ Geographical coverage: it is difficult to shift if not imposed in neighboring areas.

Deficit Financing as a Hidden Tax

Deficit financing by the government is that portion of its budgetary expenditure which is financed by some form of non-tax revenue receipts, that is, borrowings, creation of cash or drawing down of cash balances. Creation of cash or drawing down of cash balances adds to the flow of aggregate demand in the economy resulting in inflationary pressures and price rise. Real value (or purchasing power) of the financial assets with the private sector decreases. Consequently, as in the case of tax payments, some real resources shift from the non-government sector to the government ownership and this tantamount to a hidden tax. The phenomenon of 'hidden tax' emerges from inflationary price rise, and this widens income inequalities. While printing money has inflation as a hidden cost, borrowing leads to high taxes or interest in future to repay it. Therefore, lower deficits need lower taxes.

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CLASSIFICATION OF TAXES

Taxes have been differently classified by different economists in course of time. The classifications have been made on different bases, which are presented in the following figure followed by discussion:

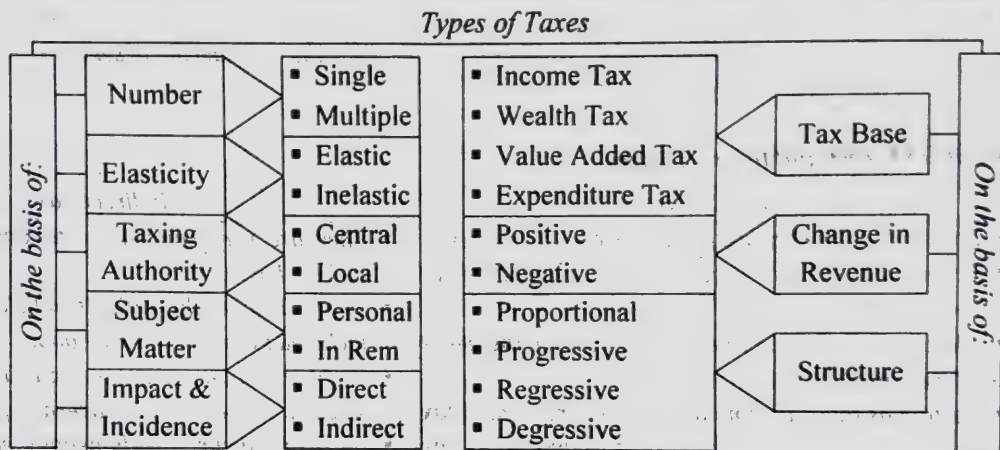
Classification Based on Number of Taxes

- ☐ **Single tax:** Single tax is when the tax system of a country incorporates only one tax. In ancient times tax was levied on person as poll tax or head tax.

- ❑ **Multiple tax:** When the tax system comprises different types of taxes, it is called multiple tax. At present, all the countries in the world follow multiple tax system. i.e., government is collecting taxes on income, on expenditures, on wealth, etc.

Classification Based on Impact and Incidence of Tax

- ❑ **Direct tax:** Direct taxes are those taxes which are paid entirely by those persons on whom they are imposed. The burden cannot be shifted to others in case of direct tax. Such as, income tax, land revenue tax etc.
- ❑ **Indirect tax:** Indirect taxes are those taxes which are imposed on sales or purchase of any goods or services other than personal services. Here the burden is ultimately shifted to others. Such as, VAT, customs duty etc.



Critical evaluation of direct and indirect taxes is presented in exhibit 1.1.

Classification Based on Structure of Tax Rate

- ❑ **Proportional Tax:** A proportional tax is one in which, irrespective of income size, the rate of taxation remains constant. Here the same percentage is charged on all taxpayers. For example, tax on Tk. 100,000 is 10% and Tk. 500,000 is also 10%. In the former case tax becomes Tk. 10,000 and in the later Tk. 50,000. Here in absolute form, tax has increased in proportion to rate of increase of income.

- Merits:**
- It is very easy and simple to calculate.
 - It does not affect the existing pattern of distribution of income and wealth in the society as the tax rate is same for all.
- Demerits:**
- It is not based on the principle of equity. The burden of tax falls more heavily on the poorer section of the society.
 - This system totally ignores the principle of taxable capacity.
 - Does not reduce the inequalities of income/wealth in the society.

EXHIBIT**1.1****Critical Evaluation of Direct and Indirect Taxes****Differences between direct and Indirect taxes**

	Direct Tax	Indirect Tax
• Taxable Event	Taxable Income/Taxable Wealth of the assessee.	Purchase/Sale/Manufacture of goods and provision of services.
• Levy & Collection	Levied and collected from the assessee.	Levied & collected from the consumer but paid/deposited to the government by the Assessee/Dealer.
• Shifting of Burden	Directly borne by the assessee. Hence, cannot be shifted.	Tax burden is shifted to the subsequent /ultimate user.
• Collected	After the income for a year is earned or valuation of assets is done on the valuation date.	At the time of sale of purchases or rendering of services

Merits of Direct and Indirect Taxes

Direct Tax	Indirect Tax
<ul style="list-style-type: none"> ▪ Equitable since they are progressive in their rates. ▪ Economical as it requires low administrative collection cost ▪ Elastic since they can be adjusted as per the needs of the State. ▪ Certain as the rate, amount and time regarding tax collection is known to both taxpayer and tax authority. ▪ It is based on taxpayers' ability that ensures distributive justice. ▪ It creates civic consciousness among the taxpayers. ▪ No scope for any leakage as it is directly paid to the treasury. 	<ul style="list-style-type: none"> ▪ They are very convenient to pay since taxes are included in price. ▪ They are generally difficult to be evaded as they are included in the price of the goods. ▪ Highly revenue productive in a developing country since income level of the average people is low. ▪ By taxing luxury goods heavily equitability can be ensured. ▪ Can be used to control the consumption of luxury, liquor and harmful goods by imposing high taxes.

Demerits of Direct and Indirect Taxes

Direct Tax	Indirect Tax
<ul style="list-style-type: none"> ▪ Large scale tax evasion by the dishonest taxpayers using loopholes of the tax system ▪ Since the burden cannot be shifted, they are unpopular. ▪ Direct taxes are found to be arbitrary to determine the degree of progression in taxation. ▪ Since the taxpayers need to follow certain complex steps like filing returns, it is inconvenient. ▪ Collection is not satisfactory if the system is not strong enough. 	<ul style="list-style-type: none"> ▪ They are inequitable since same rates are applied for both poor and rich. ▪ They are uneconomical since the collection of these taxes involves many stages and thus the cost of collection becomes greater. ▪ Indirect taxes give chance for cheating as the retailers may charge the customers more than the specific amount. ▪ It is a cause of inflation since it increases the cost of production

- **Progressive Tax:** Under this system, the rate of taxation increases as the taxable income increases. The principle of a progressive tax is "*higher the income, higher the rate*". It is considered more equitable. For example, tax on total income of Tk. 100,000 is 10% but on Tk. 500,000 is 15%. Here tax will increase more than proportionately.

- Merits:**
- Here, 'income' and 'ability to pay' are positively correlated.
 - Moral as the richer section bears heavier burden of tax than the poorer section.
 - It promotes equality in wealth and income distribution as 'more income, more taxes' is the principle of this tax system.
 - The system is more flexible. During crisis. More taxes can be collected by adjusting the tax rates suitably.
 - It is economical in the sense that with minor changes in the rates, substantial changes can be brought about in tax collection without incurring any extra cost.
- Demerits:**
- Arbitrary fixation of rates may be done in an indiscriminate manner when government needs more funds at a time of crisis.
 - It adversely affects the propensity to save because the burden of tax falls more on those who can save because they have surplus.
 - It dims the chances of more investments in productive sectors through reducing the savings.
 - Tax evasion may be increased as it injects a feeling of tax evasion in the minds of those who are liable to pay tax at higher rates.
 - This system discourages the productive activities in the country because the producer is not interested to earn more. They also find it difficult to get funds at cheaper rates because the rates of savings go down.

- **Regressive Tax:** A tax is regressive when its burden falls more heavily on the poor than the rich since the tax rate decreases as the tax base (income) increases. This is just the opposite of progressive tax. Sales tax is a regressive tax. If two individuals spend the same amount on a given product, they will both pay the same sales tax, regardless of whether one earns more than the other one. For another example, tax on total income of Tk. 100,000 is 15% but on Tk. 500,000 is 10%. Here tax will decrease more than proportionately.

- Merits:**
- Regressive taxes encourage savings and investment as high-income earners pay less tax and have more discretionary funds to use for investment and savings.
 - Regressive taxes increase net government revenue. As people have more after-tax income to use for savings and investment, these additional investments in turn generate more taxable

income and the cycle begins again - more investment, more wealth, and ultimately more tax revenues.

- Regressive tax systems encourage people to earn more income because the more you make, the more you get to keep. This incentive will produce more investment, savings, job growth, and national GDP.

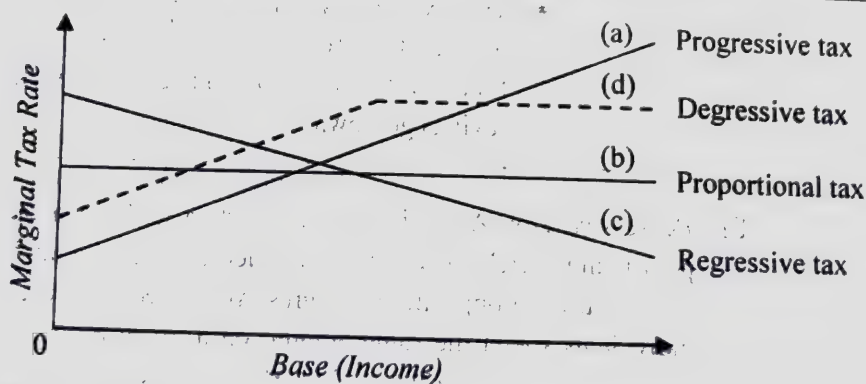
- Demerits:**
- It does not follow the ability to pay principle.
 - This system totally ignores the principle of taxable capacity.
 - This tax increases inequalities of income/wealth in the society.

- **Degressive tax:** Taxes which are mildly progressive, hence not very steep so that high income does not make a due sacrifice, such taxes based on equity are called degressive. Here, a tax may be slowly progressive up to a certain limit. after that it may be charged at a flat rate. The *merits* and *demerits* of this tax system are similar to the progressive tax system. In Bangladesh, this system is followed where income tax rate of an individual for the assessment year 2024 – 2025 is:

On first Tk.	On next Tk.			On remaining	
350,000	100,000	400,000	500,000	500,000	income
@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%

Marginal tax rate against income as the base under these four categories of taxes are graphically presented in the figure below.

Figure: Marginal tax rate against income



Above figure depicts the proportion of income taken away in taxation under different tax rates. Tax line (a) represents a progressive tax rate, tax line (b) represents a proportional tax rate, tax line (c) shows a regressive tax rate and tax line (d) denotes a digressive tax rate.

The figure shows proportional tax rate has a constant slope, while the progressive tax rate has a rising positive slope. The steeper the slope of the tax line, the progressive the tax regime. The regressive tax rate line has a declining negative slope. The steeper the negative slope of the tax line, the more regressive the taxation. The digressive tax rate line has a rising slope initially, but it becomes constant after a point.



- (a) Define Progressive Tax
(b) Identify three features of a good tax system

Classification Based on Subject Matter of Taxation

- ☐ *Personal tax* (e.g., income tax) is levied based on personal tax paying capability
- ☐ *In Rem tax* is levied on activities or objects like sales tax, wealth tax etc

Classification Based on Elasticity of Tax

- ☐ *Elastic tax*: If the rate of changes in tax is more than the rate of changes in the tax base, the tax is known as elastic tax.
- ☐ *Inelastic tax*: If the rate of changes in tax is less than the rate of changes in the tax base, the tax is known as inelastic tax.

Classification Based on Tax Base

- ☐ *Income tax* is charged based on the income of a person or entity, e.g., income tax.
- ☐ *Wealth tax* is charged on the value of financial asset e.g., shares, securities etc. or non-financial asset e.g., building, premises, land. Such as, wealth tax, gift tax etc.
- ☐ *Value Added Tax* is charged on the value addition in a commodity or service.
- ☐ *Expenditure tax* is charged on the expenditure like purchase tax, sales tax etc.

Classification According to Change in Government Revenue

[Reference: Musgrave and Musgrave, 1989, pp 216 – 217]

- ☐ *Positive tax*: These are taxes which increase the revenue of the government. Such as, income tax, wealth tax, VAT etc.
- ☐ *Negative tax*: These are taxes which don't increase revenue of the government, rather decrease. These are basically transfer payments like pension, gratuity etc.

Classification According to Taxing Authority

- ☐ *Central tax* is levied by the central government. Such as, income tax, wealth tax.
- ☐ *Local tax/Rate* is levied by the local authorities, like City Corporation, Union Parishad, Municipality etc. This is also known as rates.

All twenty types of taxes explained above are contemporary to each other. Other than negative tax, all are positive taxes; other than single tax, all are examples of multiple tax. Direct tax is mainly progressive, personal, and elastic. In contrary, indirect tax is regressive, in rem, inelastic or sometimes proportional. The nature of the taxes plays a pivotal role in designing country's tax policy to ensure maximum social advantage.

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EFFECTS OF TAXATION

In the words of Professor Dalton, "*The best system of taxation from the economic point of view is that which has the best effects or the least bad economic effects.*" The

classical economists were of the view that the only objective of imposing taxes was to raise the revenue for the State, but with the change in circumstances and ideologies, the aim of taxation has also been changed. These days, apart from the object of raising the public revenue, taxes are levied to affect consumption, production, and distribution. Taxation these days is an important instrument of achieving socio-economic objectives such as, regulation of consumption and production, controlling booms and depression, promoting economic growth, and reducing inequalities.

General Effects of Taxation on Production and Growth

Main effects of taxation on production and growth are: 1. *Effect on Ability to work*, 2. *Effect on the Ability to Save*, 3. *Effect on Ability to Invest*. Taxes reduce disposable income. As such, the buying capacity and consumption expenditure are curtailed. These cause the standard of living to deteriorate. Consequently, efficiency and ability to work is adversely affected. Again, there are some taxes which carry a beneficial impact on the ability to work. For instance, taxes on goods like liquor, cigarettes, opium, etc. which prohibit their consumption will lead to an improvement in general health and efficiency of those who are now addicted to them.

Ability to save is adversely affected by taxation as taxes fall on income and saving is the function of disposable income. As disposable income declines, savings tend to decline. A progressive taxation substantially reduces the ability to save of the rich class. Ability to save is also reduced by indirect or commodity taxation, because these taxes cause a rise in prices which induces a higher spending from a given income, thus, resulting in less saving. But, when government spends the tax income for the benefit of the poor, then their ability to save is enhanced. So, while evaluating the effects of a tax, the effects of public expenditure should also be taken into consideration to appraise the correct position in the economic system. It is equally true that when direct taxes are imposed, they absorb the excessive purchasing power of the commodity, cause a deflationary effect which in turn enhances the real income of the common people and their capacity to save. Ability to invest in the private sector evidently falls on account of the reduced saving ability caused by the tax imposition. Hence, all taxes have the immediate effect of reducing the amount of resources available for investment in the private sector. Generally, the reduction in private investment caused by taxation is more than offset by the public investment programs. A progressive system of taxation has favorable effect on income distribution, but it has disincentive effects on output. A high dose of income tax will reduce inequalities but produce some unfavorable effects on the ability to work, save, investment and output. Tax cuts can slow long-run economic growth by increasing budget deficits.

General Effects of Taxation on Supply of Resources

In an economy, the composition and pattern of production depend upon the allocation of resources. Taxes tend to re-allocate resources among different industries and regions. When high taxes are imposed on some industries, then resources from the high-taxed industries will shift to the low-taxed industries. Likewise, when a tax

rebate is offered, it will encourage allocation of resources in favor of developing infant industries. Similarly, there will be re-allocation of resources from high-taxed regions to the low-taxed regions. A high tax on goods of harmful consumption has a beneficial impact, as the resources from the production of these goods will be diverted to low-taxed essential goods. Taxes may, thus, change the pattern of production in an economy. Production of luxuries may be curbed and that of necessities may improve. Taxes, such as tariffs, may also protect infant industries of a country from foreign competition. Some taxes, however, bring about diversion of resources, thus altering the output pattern of some industries in a socially desirable manner.

General Effects of Taxation on Economic Stabilization

Effects of Taxation are the changes in the economy resulting from the imposition of a tax system (or a variation in it). In addition to producing revenue, tax policy may be used to promote economic stability. Changes in tax liabilities not matched by changes in expenditures bolster cyclical fluctuations in prices, employment, and production. Built-in flexibility occurs because liabilities for some taxes, most notably income taxes, respond strongly to changes in economic conditions. A more-active approach calls for changes in the tax rates or other provisions to increase the anticyclical effects of tax receipts. An emphasis on economic growth implies the need to avoid high marginal tax rates and the tax-induced diversion of resources into relatively unproductive activities. Moreover, progressive taxation could improve the automatic stabilizer function of a country's fiscal system. Economists have devoted considerable effort to studying the effects of taxes. Specifically, they study how taxes affect people's behavior, including their choices in working, saving, & investing. A critical effect analysis of the dimension of direct and indirect taxes is presented in exhibit 1.2.

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TAX STRUCTURE IN BANGLADESH

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The tax structure in the country consists of both direct (income tax, gift tax, land development tax, non-judicial stamp, registration, immovable property tax, etc.) and indirect (customs duty, excise duty, motor vehicle tax, narcotics and liquor duty, VAT, SD, foreign travel tax, TT, electricity duty, advertisement tax, etc.) taxes. Analysis of revenue collection activities in Bangladesh for the fiscal year 2023-24 reveals that tax revenue targeted for 89.75 percent of government revenue as per revised budget of which NBR taxes represent around 85.77% of total revenue.

As per the National Budget 2024-25, the tax revenue target for the fiscal year 2024-25 has been set by the government to Tk. 4,950.00 billion which was Tk. 4,290.00 billion in the fiscal year 2023-24 as per the revised budget. In National Budget 2024-25, it can be seen that in the fiscal year 2024-25 revenue collections from income tax have been estimated at around Tk. 1756.20 billion (35.48% of total tax), value added tax (VAT) at Tk. 1827.83 billion (36.93%), from import duty at Tk. 494.64 billion (9.99%), supplementary duty at Tk. 642.78 billion (12.99%) and others 4.61% of this aggregate target. The salient features of Bangladesh tax system are as follows:

EXHIBIT

1.2

Tax Effects of Direct and Indirect Taxes

Effect on	Effects of Direct Tax	Effects of Indirect Tax
• Income	Higher direct taxes <u>reduce</u> disposable income by curtailing the income directly. In the countries where unemployment allowances are provided, the situation becomes worse when an unemployed gets employment but falls in the lower income-bracket, because then he will not receive the unemployment benefit and at the same time, he has to pay tax. This is called 'unemployment trap'.	Usually, the imposition of an indirect tax <u>increases</u> the price of the concerned goods or services. Thus, the purchaser has to pay <u>more</u> , which <u>reduces</u> the net income.
• Savings and Investment	Higher direct taxes reduce the ability of the tax-paying individuals or enterprises to save or invest. But it depends on the extent of financing the enhanced tax from savings or consumption.	Usually, it is said that higher indirect tax indirectly encourages savings, as it increases price and thereby reduces demand. But grossly, higher indirect taxation decreases savings and investments.
• Price	Higher direct taxes have a deflationary effect on price by decreasing the demand. But labor organizations may create pressure to increase the wage level to meet the higher taxes, which may cause a cost-push inflationary effect.	Indirect taxation usually increases price level, and it has an inflationary effect. But the extent of inflationary effect depends on the price elasticity of demand and supply. If the price elasticity of supply is more than the price elasticity of demand, then the price will rise and if the price elasticity of demand is higher, then the price will fall.
• Initiative	Higher direct taxes have a negative effect on initiative, and the leisure is preferable to work. But due to higher direct tax some might do more works to maintain the standard of living.	Higher indirect tax has also a negative effect on the business community's initiative because it is seen as an impediment to their trade and commerce causing a price barrier.
• Overall Economy	Other things remaining the same, because of higher taxation, aggregate demand of the economy will fall, which may cause an inflationary effect on the price and output levels. Balance of payments may be improved by decreasing the dependency on foreign aid. But the employment situation may be worsened due to the fall in aggregate demand. Besides, taxation may affect regional disparity, inequality between income and wealth, etc.	
<div><div><input type="checkbox"/> Multiple tax system: Country's tax system consists of various types of taxes, e.g.:</div><div><div><div><div>• Taxes on Income and Profit</div><div><div><input type="checkbox"/> Income tax – Company</div><div><input type="checkbox"/> Income tax – Other than Company</div></div></div><div>• Taxes on Property & Capital Transfer</div><div><div><div><div><input type="checkbox"/> Estate Duty</div><div><input type="checkbox"/> Narcotics Duty</div></div><div><div><input type="checkbox"/> Gift Tax</div><div><input type="checkbox"/> Land Revenue</div></div></div></div></div></div></div>		

- Stamp Duty – non judicial
- Registration
- Taxes on Goods and Services
 - Customs Duties
 - Taxes on Vehicles
 - Excise Duties
 - Electricity Duty
 - Value Added Tax (VAT)
 - Other Taxes and Duties (e.g., travel tax)
 - Supplementary Duty (on luxury items and in addition to VAT)
- *Inadequate and stagnant revenue yield relative to GDP:* The tax revenue to GDP ratio is very low compared to other developing countries. In 1973-74 fiscal year, Tax GDP ratio was around 5% and after 50 years, the progress is not satisfactory as it has been reached to 8.50 in the FY 2023-24. We can see the status of the ratio of tax revenue to GDP of Bangladesh in exhibit 1.3 for the last six years.
- *High-ratio of indirect to direct tax revenue:* Revenue analysis from the existing taxes shows that the indirect taxes pre-dominate the revenue yield of the country. Nearly 66% of the tax revenue are from indirect taxes as shown in exhibit 1.3.
- *Dominance of Indirect Taxes:* It has been seen that the dominance of indirect taxes (especially VAT, import duty and supplementary duty) in tax revenue of Bangladesh is quite significant for last couple of years (see exhibit 1.3). The contribution of income tax has also been gradually increasing in recent years.
- *Tax administration in Bangladesh:* National Board of Revenue (NBR) is the central authority for tax administration in Bangladesh and collects around 95 percent of total tax revenue for the country. Various reform measures have been taken and some are still in consideration to make the tax system of the country more effective and efficient.
- *Tax avoidance behavior of the Taxpayers:* The heavy reliance on indirect taxation has been treated as one of the main obstacles in attaining economic progress in Bangladesh since only a few taxpayers share the burden of taxes. Despite NBR's untiring effort, the progress is not still satisfactory. People and corporate firms use various measures to evade tax using loopholes of the current tax system. In a country of 172 million people, out of 10.44 million TIN holders, only around 4.3 million (43,01,000) individual taxpayer has submitted income tax return in Bangladesh during the assessment year 2023-24, which is just 2.5% of the total population. In case of corporate tax, among 2,84,058 (upto June 2023) registered companies only 33,905 companies have submitted income tax return that is just 11.94% of the total corporate taxpayers.

Source: NBR (in lakh)	FY18	FY19	FY20	FY21	FY22	FY23	FY24
No. of eTIN issued	35.5	41.77	50.57	62.22	81.2	88.4	104.35
Return Filing	18.03	19.18	21.14	24.3	24.3	35.29	43.01

- *Narrow Tax base:* Our tax base is too narrow, and the tax law is full of exemptions and allowances. Agricultural sector provides employment for around 40% of the population contributing only 3% of GDP and virtually pays little income tax. A World Bank study revealed that black/shadow economy in Bangladesh consists of around 25% of GDP, from which no tax is collected.

EXHIBIT

1.3

Tax Structure of Bangladesh: Some Statistics

(Source: Bangladesh Economic Review, 2024)

■ Tax Revenue as percentage of GDP

	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23*
Total revenue	9.83	10.73	10.98	9.96	9.79	9.75
Tax Revenue	8.8	9.81	9.87	8.95	8.71	8.74
Non-tax Revenue	1.03	0.92	1.10	1.01	1.08	1.01

*upto February 2023

■ Composition of Revenue (in crore Tk.)

	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22
Total revenue	2,14,261	2,59,454	3,16,613	3,48,069	3,51,532	3,34,349
Tax Revenue	1,92,261	2,32,202	2,89,600	3,13,067	3,16,000	2,99,294
Non-tax Revenue	22,000	27,252	27,013	35,002	35,532	35,055
% of Tax to Revenue	89.73	89.50	91.47	89.94	89.89	89.52
Direct Tax (DT)	68,321	83,303	1,03,239	1,14,603	1,10,026	1,00,792
% of DT to Total Tax	35.54%	35.87%	35.65%	36.61%	34.82%	33.68%
Indirect Tax (IT)	1,23,940	148,899	1,86,361	1,98,464	2,05,974	1,98,502
% of IT to total tax	64.46%	64.13%	64.35%	63%	65.18%	66.32%

■ Item Wise Collection

	2016 - 17	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22
VAT	35.72%	35.62%	36.19%	35.09%	36.46%	36.87%
Import duty	11.22%	11.43%	10.84%	10.12%	11.76%	11.00%
Income tax	32.64%	33.48%	32.86%	32.87%	30.36%	30.44%
Supplementary duty	15.35%	14.97%	15.61%	15.06%	15.28%	15.75%
Other taxes and duties	5.07%	4.5%	4.50%	6.86%	6.14%	5.94%

The above discussion clearly portray that attaining an optimal tax structure is one of the most important issues for the government to increase the revenue generation for accelerating growth and to improve the quality of life of the citizens. A long-term sustainable solution to enhance transparency, growth, improve tax compliance and thus to increase tax to GDP ratio is a much desirable issue in Bangladesh.

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RANKING OF BANGLADESH IN EASE OF PAYING TAXES

Paying Taxes 2020 is a unique study from PwC, World Bank and IFC. The study provides data on tax systems in 190 economies around the world, with an ability to monitor tax reform. It is unique because it generates a set of indicators (the total tax rate, the time to comply and the number of payments) that measure the world's tax systems from the point of view of a standardized business (using a case-study scenario). According to the study, the ranking of Bangladesh is 151 (see below) among 190 countries (5th among the SAARC countries.) So, Bangladesh has a long way to go.

	Overall Ranking	Number of Payments	Time to Comply (Hours)	Total Tax Rate (%)
Afghanistan	178	19	270	71.4
Bangladesh	151	33	435	33.4
Nepal	175	46	377	41.8
Pakistan	161	34	283	33.9
India	115	11	252	49.7
Maldives	119	17	391	30.2
Sri Lanka	142	36	129	55.2
Bhutan	15	18	52	35.3

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INCOME TAX – CONCEPT AND DEFINITION

Income tax is a direct tax, which enjoys pride of place in the revenues of governments all over the world. In the fiscal scheme of our country, at present, income tax is levied along with other direct and indirect taxes like VAT, Excise duty, Gift tax etc. It is one of the most important sources of revenue for the government to ensure the equitable distribution of resources.

Definition of Income Tax

To generate revenue, government imposes tax on various areas. Of them, income tax is the tax which is levied on the taxable income of a person or entity as per the provisions of the Income Tax Act, 2023. It is calculated and computed with reference to the total income of an assessee for a particular period (normally, on an annual basis). According to Section 2(14) of the ITA 2023, income tax means any kind of tax or surcharge leviable and payable in accordance with the provisions of this act. In section 18 of the ITA 2023, it has also been stated that the *Income tax for any assessment year at any rate or rates shall be charged, levied, paid, and collected in respect of the total income of the income year or income years of every person.* Some definitions of income tax given in the verdicts of various cases are as follows:

"Income tax is a tax on income and not on anything else. It is one tax not a collection of taxes essentially distinct." [Bengal Coal Co. Ltd. vs. Janardan Kishore Lal Singh (Cal) 1936 I.T.R. 392]

"Income tax is a tax on income." [Peter Merchant Ltd. vs. Stedeford; 30T.C. 496,509(CA)]

"Income tax is one tax and not a collection of taxes of different items of income and assessment to income tax is one whole and not a group of assessments of different items of income." [CIT vs. Numberumal Chatty & Sons (1933), I.T.R.32 at 37 (Mad)]

"Income tax is an annual tax and the profits of each year should be subjected to income tax" [CIT vs. Sri Sukhdeodas Jalan (Pat) 1954, 26, I.T.R. 617]

Above definition revealed that income tax is a direct and single tax charged on the total income of a person for an income year and in the relevant assessment year.

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CHARACTERISTICS OF INCOME TAX

From the above discussion, we can depict the following characteristics of income tax:

- ☐ It is a direct tax.
- ☐ Levy of this tax is regulated by the Income Tax Act, 2023 [Act No. XII of 2023].
- ☐ It is charged on total income of an income year of a person in an assessment year.
- ☐ The rate of income tax is determined by the government in the National Assembly through the Finance Act. Besides rules/orders/circulars are issued by the National Board of Revenue from time to time.
- ☐ ~~It is one tax not a collection of taxes essentially distinct.~~
- ☐ Income tax is levied by the government on an annual basis.
- ☐ Tax imposed on items other than income is not income tax.

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OBJECTIVES AND IMPORTANCE OF INCOME TAX

Taxation is one of the major sources of public revenue to meet a country's revenue and development expenditures with a view to accomplishing some economic and social objectives, such as redistribution of income, price stabilization and discouraging harmful consumption. Income tax is one of the most significant sources of public finance. Some major objectives and importance of income tax are as follows:

- ☐ **Revenue collection:** Income tax is a major source of revenue for the government. In Bangladesh, as per the budget of the fiscal year 2024-25, income tax revenue target accounts for Tk. 1756.20 billion which is 35.48 percent of total tax revenue. Therefore, the first and foremost aim of income tax is to raise public revenue to meet the over increasing public expenditure.
- ☐ **Re-distribution of income:** An effective, efficient, and fair tax system can reduce inequalities in income and wealth. This is possible by taxing rich people heavily and to confer benefit to the poorer section through progressive income tax.
- ☐ **Increase in savings:** An effective and efficient tax system encourages people to save through providing tax credit facilities on investment allowance.
- ☐ **Increase in capital investment:** An effective and efficient tax system encourages local and foreign investors to invest in the country through providing various facilities like tax credit facilities on investment allowance, tax holiday scheme, depreciation allowance, tax incentives etc.
- ☐ **Economic development:** The income tax revenue can be used by the government to ensure the economic development. It can be used to build the infrastructure, to invest in social security programs, in various poverty elevation programs.

As income tax plays a significant role in the economic development of a country. For this reason, various reform strategies have been taken to modernize NBR.

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INCOME TAX IN ECONOMIC GROWTH OF BANGLADESH

As it has been discussed before, taxation is one of the major sources of public revenue to meet a country's revenue and development expenditures with a view to accomplishing some fundamental economic and social objectives, such as redistribution of income, price stabilization and discouraging harmful consumption. The contribution of income tax is playing a pivotal role in the economic development of Bangladesh. The government of Bangladesh has taken various measures to modernize the tax system and imposed various provisions in the Income Tax Act, 2023. Some of the provisions are as following:

- **Tax Holiday Scheme:** According to Section 81-85 and Sixth Schedule (Part 4) of the ITA, 2023, an industrial enterprise, established within prescribed time limit, in the prescribed area, for producing prescribed nature of goods, shall be exempted from tax for certain period i.e., five to ten years. This is known as Tax Holiday Scheme. The main objective of this scheme is to ensure economic development through industrialization attracting investment in some specific sectors e.g., tourism industries.
- **Accelerated Depreciation Allowance:** Depreciation allowance is allowed on the new machineries used in various industries at a specified rate (50% in first year, 30% in second, and 20% in the third year for the new industries).
- **Tax incentives for Small & Cottage Industries:** According to section 79 and Para 24 (Sixth Schedule, Part 1) tax incentives are allowed on the income and profit of cottage industries and SMEs to encourage investment which can contribute to the economy significantly.
- **Tax incentives for encouraging savings:** The government also encourages savings providing tax credit facilities on certain types of investment and expenditures. Such as, investment in stock market, savings certificate, DPS, insurance premium, provident fund, government treasury bill etc.
- **Tax exemptions in certain expenditures:** Expenditures to enhance social welfare like contribution to any fund established under Prime Minister's Education Assistance Trust Act, 2012; Government approved girls school or college, Government approved technical or vocational training institute, national level research and development institute for agriculture, science, technology & industry, etc. are exempted from tax. These also encourage people to spend in certain social development programs.
- **Tax incentives for foreign investors:** For attracting foreign investors, various concessions like tax holiday, tax exemptions for interest, royalty, technical assistance and fees, remittance to own country have been allowed as per the ITA.
- **Allowance for scientific research:** For developing new products, technologies in the industrial sectors certain allowance is allowed. Tax rebate is given on the cost of relevant scientific research.
- **Tax incentives for remittance to Bangladesh:** A significant number of Bangladeshi people works abroad and to encourage them, remittances through banking channel has been declared tax exempted.



- (a) Define Income Tax.
- (b) Identify three characteristics of Income Tax.
- (c) Identify three objectives of Income Tax.

So, it can be said that to ensure the economic development of the country certain provisions have been introduced in the ITO, 1984. These provisions encourage not only foreign investors but also the local entrepreneurs.

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SCOPE OF BANGLADESH INCOME TAX LAW

To determine income tax on the income of an assessee in Bangladesh, certain provisions, rules, and regulations have to be kept in mind. They are as follows:

- *The Income Tax Act, 2023*: The ITA, 2023 came into force on June 22, 2023. It has 25 Parts, 345 sections, numerous sub-sections and 8 schedules containing provisions for assessment, penalty, appeal etc. It also lays down the powers and duties of various income tax authorities.
- *Withholding Tax Rules, 2023*: Every Act normally gives power to an authority, responsible for implementation of the Act, to make rules for carrying out purposes of the Act. Section 343 of the ITA, 2023 has given power to the National Board of Revenue to make necessary rules. Some of the Rules are - *Withholding Tax Rules, 2023; Income Tax Return Preparer's Rules, 2023 etc.*
- *Finance Act*: Finance Minister presents this as Finance Bill in the Parliament. Once the Finance Bill is approved by the Parliament and gets the assent of the President, it becomes the Finance Act. It gives effect to the various proposals in the annual budget covering the areas of direct and indirect taxes. It contains various applicable tax rates and other amendments of the ITA and Rules, 2023.
- *SRO (Statutory Regulatory Orders)/Circulars/Notifications from NBR*: Section 342-343 of the ITA, 2023, indicates NBR can issue certain orders/circulars/notices as and when necessary. The provisions of these SROs/circulars are also to be considered at the time of computing income tax like the provisions of ITO and Rules.
- *Judicial Decisions*: During assessment proceedings, there may sometimes arise between the NBR and the assessee over the interpretation of some of the provisions of the act and rules. The assessee can go to the court objecting the NBR's interpretation, and the judgments given by the courts act as guidance to the assessing officers and the assessee in similar circumstances in the future.

Income Tax Ordinance to Override Other Laws [Section 3]

According to section 3 of the ITA, 2023, notwithstanding anything contained in any other law for the time being in force, the provisions of the Income Tax Act, 2023 or any proceedings thereunder shall prevail over any other law in respect of tax on income and exemptions of tax thereof.

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SCHEMES OF BANGLADESH INCOME TAX LAW

Every person, whose *total income* of the *income year* exceeds the *maximum amount* which is not chargeable to income tax, is an *assessee* and *chargeable* to income tax at the *rate* or *rates* prescribed in the *Finance Act* for the relevant *assessment year*. However, his total income shall be determined based on his *residential status in Bangladesh*. The determination of the tax liability of an assessee will be done based on the relevant provisions under the prevailing Income Tax Act 2023. For the assessment year 2023 - 2024, individuals whose income exceeds Tk. 3.50 lac [in case of women & elderly citizens above 65 years Tk. 4.00 lac, for third gender & disabled persons Tk. 4.75 lac, and for gazetted wounded freedom fighters Tk. 5.00 lac] must pay income tax. The special features of the Bangladesh income tax law may be enumerated below:

- ☐ Income earned by every person is chargeable to income tax if it exceeds the maximum exemption limit.
- ☐ The term "person" includes an individual, a firm, an association of persons, a Hindu Undivided Family, trust, fund and company.
- ☐ Income tax is charged on the total income of the income year but is taxable in the next following assessment year at the rates applicable to such assessment year. However, there are certain exceptions to this rule.
- ☐ While assessing all these persons, their residential status is to be seen. Persons who are residents in Bangladesh are required to pay tax on their incomes earned, though received anywhere of the world, whereas persons who are non-residents would pay tax only in respect of incomes earned and received in Bangladesh.
- ☐ Taxable income arises from many sources and grouped into several heads (i.e., salaries, income from house property, agricultural income, income from business, capital gains, income from financial assets, and income from other sources). The ITA has various provisions to assess income under all these heads.
- ☐ While assessing income under different heads, some losses of one head can be set-off against positive incomes under the same heads, subject to some limitations prescribed in the ordinance.
- ☐ There are many provisions in the ordinance which enable an aggrieved assessee to go in appeal to the higher authorities or courts for justice. It has also imposed of interest, penalties, and fines for the violation of any provisions under these act and rules. Wide powers have also been given to the taxing authority to deal with all types of situations.
- ☐ Taxpayers can submit tax return under 'universal self-assessment' or 'normal' scheme. Tax rates and scope of taxable income differ based on residential status of an assessee (resident or non-resident).

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HISTORY OF INCOME TAX LAW IN BANGLADESH

Bangladesh inherited a system of taxation from its past British and Pakistani rulers. The system, however, developed based on generally accepted canons and there had

been efforts towards rationalizing the tax administration for optimizing revenue collection, reducing tax evasion, and preventing revenue leakage through system loss. In the Indian Subcontinent, first Income Tax Act has been introduced in 1860 by the then English rulers following the Income Tax Act of England. After five years of its introduction, it has been repealed and withdrawn in 1867 due to the rapid changes in the political and socio-economic culture of the state. Then it has been again introduced by the government as the License Act, 1867 to finance the budget deficit. In 1868, the name of the Act has been changed as "The Certificate Act, 1868" featuring certain provisions like reduced tax rates, tax exemption up to a certain limit of total income, tax relief for agricultural income etc.

In 1869, "The Income Tax Act - II" has been passed after doing necessary changes in "The Certificate Act, 1868". Here tax has again been charged on agricultural income. This Act has been repealed and withdrawn again in 1873 but later further introduced in 1877 in the name of "The License Tax Act, 1877". It has been followed upto 1886. In 1886, British government has introduced "The Income Tax Act 1886; Act II of 1886". Again in 1918, incorporating various amendments of this Act, "The Income Tax Act 1918; Act VII of 1918" has been passed by the English government. In this Act, the total income has been divided into six (6) income heads, salaries, interest on securities, income from house property, income from business, Income from profession and income from other sources. In 1921, a committee named "All India Committee" has been formed to evaluate the need for necessary changes in this act. Based on the recommendations and guidelines suggested by this committee, "The Income Tax Act 1922; Act XI of 1922" has been introduced.

The introduction of this act is considered the most significant achievements in the income tax law in Indian Subcontinent since the current tax laws of Pakistan, India and Bangladesh has been introduced based on this Act. India and Pakistan both the country accepted "The Income Tax Act 1922; Act XI of 1922" as their income tax law after their independence from British rule in 1947. Then in India "The Income Tax Act - 1961" has been introduced incorporating necessary changes in the earlier Act of 1922. But Pakistan had been following the old "The Income Tax Act - 1922; Act XI of 1922" incorporating some amendments in the following years like Tax Holiday Scheme of 1959, Self-assessment system of 1965 etc.

After its independence in 1971, Bangladesh has also inherited the "The Income Tax Act - 1922" which has been followed in Pakistan and adopted it with necessary changes made from time to time. To modify necessary changes of the old act to cope with the demand of time, a "Taxation Enquiry Commission" has been formed in 1976. As per their guidelines and recommendations, "Income Tax Ordinance, 1984 (XXXVI of 1984) has been introduced repealing "The Income Tax Act - 1922". The Income Tax Ordinance, 1984 came into force on 1st July 1984 as the Income Tax Manual I. It had 23 Chapters, 187 sections, numerous sub-sections and seven schedules containing provisions regarding assessment, penalty, appeal etc.

EXHIBIT**1.4****Structure of Income Tax Act, 2023****Parts and Sections**

Part 1	Preliminary	Section 1-3
Part 2	Tax Administration	Section 4-12
Part 3	Taxes Appellate Tribunal	Section 13-17
Part 4	Charge of Income Tax	Section 18-28
Part 5	Computation of Income	Section 29-75
Part 6	Exemption, Allowances, and Tax Holiday	Section 76-85
Part 7	Payment of Tax	Section 86-162
Part 8	Minimum Tax	Section 163-164
Part 9	Return and Statement	Section 165-179
Part 10	Assessment and Audit	Section 180-196
Part 11	Limitation of Time	Section 197
Part 12	Collection of Information	Section 198 - 211
Part 13	Recovery of Tax	Section 212-213
Part 14	Collection of due tax, Refund & Adjustments	Section 214-229
Part 15	Tackling Tax Evasion	Section 230-243
Part 16	International Treaty Management	Section 244-251
Part 17	Agency, Representation and Related Matters	Section 252-260
Part 18	Taxpayer Registration	Section 261-265
Part 19	Penalty	Section 266-284
Part 20	Revision, Appeal & Reference	Section 285-308
Part 21	Protection of Information	Section 309
Part 22	Offences and Prosecution	Section 310-326
Part 23	Authorized Representative	Section 327
Part 24	Electronic Tax Management	Section 328
Part 25	Miscellaneous	Section 329-345

Schedules

First Schedule	: Part 1 - Special Taxes for disclosure of unexplained investments
	: Part 2 - Voluntary disclosure of incomes
Second Schedule	: Part 1 - Approved Superannuation Fund or Pension Fund
	: Part 2 - Recognized Gratuity Fund
	: Part 3 - Recognized Provident Fund
Third Schedule	: Part 1 - Computation of Depreciation Allowance
	: Part 2 - Computation of Amortization
Fourth Schedule	- Computation of the Profits and Gains of Insurance Business
Fifth Schedule	: Part 1 - Computation of Profits and Gains from Exploration and production of petroleum and the determination of tax thereon.
	: Part 2 - Computation of Profits and Gains from Exploration and Extraction of Mineral deposits in Bangladesh (except oil and gas).
Sixth Schedule	: Part 1 - Exclusions from total Income - Non-assessable income.
	: Part 2 - Deductions for total income

- : Part 3 - Allowable investments and contributions for general tax rebate.
- : Part 4 - Tax holiday
- Seventh Schedule - Special tax rates in certain cases
- Eighth Schedule : Part 1 - Business Restructure
- : Part 2 - Startup Sandbox

The Income Tax Rules: The IT Rules comprises several rules to supplement various sections and provisions of the ITA, 2023. NBR enjoys flexibility to amend any rules through notification in the official gazette.

This Ordinance was supported by the "Income Tax Rules, 1984" known as the Income Tax Manual II and various SROs. As a step of ongoing tax reform measures, a new income tax law titled "The Income Tax Act, 2023" has been introduced on June 22, 2023 containing 25 Parts, 345 sections, numerous sub-sections and eight schedules. It is expected that, the new law will reduce the current loopholes of the tax law as well as increase the revenue of tax collection in Bangladesh.

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GENERAL RIGHTS AND OBLIGATION OF A TAXPAYER

The Income Tax Act, 2023 and its accompanying rules have provided sufficient provisions for ensuring the general rights of a taxpayer. While ensuring the rights the taxpayers are also liable to comply with certain obligations as prescribed. The following two sections enumerate a brief idea regarding this:

General Rights of a Taxpayer

- ☐ A Taxpayer is entitled to receive professional service and assistance from the concerned Taxes offices including supply of forms and brochures, guidelines for submitting tax returns etc.
- ☐ A Taxpayer may either represent himself for any of his tax matters or, engage an authorized representative as provided in the law.
- ☐ A Taxpayer is entitled to have access to his own tax records held by the office.
- ☐ The Tax Authorities are required to act impartially and use their powers in a fair and professional manner.
- ☐ The taxpayer has a right to be heard before a penalty is imposed [sec. 280].
- ☐ The taxpayer is entitled to an instant refund soon it becomes due [sec. 214]].
- ☐ Collection cannot be enforced on a taxpayer so long as his appeal is not disposed of [sec. 214(6)]
- ☐ Taxpayers may avail installment payment of arrears [sec. 214(4)]
- ☐ The taxpayer has the right to apply for alternative dispute resolution of a dispute which is pending before any income tax authority, tribunal or court. [sec 298]
- ☐ Taxpayer enjoys a confidentiality privilege [protection of information] [sec. 309]
- ☐ A taxpayer applying for E-TIN through online / in a prescribed manner becomes entitled to be registered with the tax authority [sec. 261]
- ☐ A taxpayer is protected from unilateral authoritarian action of the Revenue under a specific law enacted for the purpose [sec. 184]

- ☐ Taxpayers performing as withholding agents are indemnified for deduction or retention or payment of tax on behalf of other taxpayers [sec 338].
- ☐ Taxpayers have the right of appeal if they are aggrieved by any order of tax officers.

Obligations of a Taxpayer

- ☐ A Taxpayer should file a correct Return by disclosing all his income, provide supporting documents and pay due tax within the time limit specified by law.
- ☐ A Taxpayer is required to pay advance tax on a quarterly basis if his latest assessed income exceeded Tk. 6 lakh (excluding agricultural income and capital gains).
- ☐ An individual taxpayer is obliged to provide details of his assets and liabilities as well as particulars of his lifestyle in the return.
- ☐ A Taxpayer is required to comply with statutory notices from the tax authority.
- ☐ A Taxpayer is required to furnish to the tax authority correct and accurate particulars of his income.
- ☐ A Taxpayer having commercial transaction is required to maintain accounts in the prescribed manner.
- ☐ A Taxpayer is obliged to furnish certificate, statement, accounts, and information as required under several provisions, as the case may be.
- ☐ A Taxpayer having income from business or profession is obliged to display proof of return submission certificate at a conspicuous location of his business premises.
- ☐ A Taxpayer owning a property is obliged not to transfer or otherwise deal with the said property following the receipt of notice of attachment issued by TRO.

KEY POINTS

- ☐ Taxes are compulsory payment to the government with no expectation of direct benefit.
- ☐ Taxation is a way to transfer resources from private sectors to government sectors in order to accelerate economic and other development.
- ☐ Tax should be levied based on fundamental principles of taxation like Adam Smith's canon of taxation, e.g., canon of equality – based on ability to pay principal, canon of economy – cost of collection should not override total collection, canon of certainty – everything about tax should be definite, and canon of convenience, – time and manner to pay tax should be convenient.
- ☐ Tax burden cannot be shifted in direct tax but can be shifted in indirect tax.
- ☐ In Bangladesh degressive tax system is followed.
- ☐ For economic development of a country, tax can be used as an important tool by means of optimum allocation of available resources, raising government revenue, encouraging savings and investment, reduction of inequalities in income and wealth, accelerating economic growth, control mechanism etc.

- ☐ The tax structure in Bangladesh consists of both direct and indirect taxes.
- ☐ The Income Tax Act, 2023 came into force on June 22, 2023. It has 25 Parts, 345 sections, numerous sub-sections and eight schedules with provisions regarding assessment, penalty, appeal etc.
- ☐ The tax-structure in Bangladesh is heavily dependents on indirect taxes.
- ☐ The rate of income tax is determined by the government in the National Parliament through the Finance Act.

MULTIPLE CHOICE QUESTIONS

1. "Taxes are compulsory payment to government without expectation of direct return in benefit to the taxpayer" - this definition of taxation is given by -
(a) Dalton (b) Leroy Beaulieu (c) P. E. Taylor (d) Adam Smith
2. Which of the following is not an objective of taxation?
(a) Revenue collection (b) Reduction of inequalities in income/wealth
(c) Accelerating economic growth (d) None of these
3. A well-informed taxation system as to the time, amount and payment method is suggested by -
(a) canon of equality (b) canon of certainty (c) canon of economy (d) canon of elasticity
4. Followings are the canon of taxation suggested by Adam Smith, except -
(a) canon of equality (b) canon of certainty (c) canon of economy (d) canon of elasticity
5. "The tax system should be flexible enough to revise the rates and system with the least inconvenience, to increase or decrease the revenue" - this statement is the norm derived from the -
(a) canon of equality (b) canon of certainty (c) canon of economy (d) canon of elasticity
6. When impact and incidence of tax lies on the same person, the tax is known as -
(a) direct tax (b) indirect tax (c) single tax (d) multiple tax
7. Value Added Tax (VAT) is an example of -
(a) direct tax (b) indirect tax (c) progressive tax (d) none of these
8. For the assessment year 2024 - 2025, minimum taxable income for a woman is -
(a) Tk. 300,000 (b) Tk. 400,000 (c) Tk. 450,000 (d) Tk. 475,000
9. Tax on total income of Tk. 100,000 is 10% but on Tk. 500,000 is 15% - here the taxation is an example of -
(a) proportionate tax (b) regressive tax (c) progressive tax (d) degressive tax
10. Income tax in Bangladesh is an example of -
(a) proportionate tax (b) regressive tax (c) progressive tax (d) degressive tax

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Payment of taxes is non-penal and non-compulsory
2. Tax collection aimed to finance government expenditure to ensure public interest
3. Burden of tax cannot be shifted in case of indirect tax
4. Direct tax has an adverse effect on taxpayer's willingness to work and save
5. Indirect taxation is a cause of inflation

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ1.1 Define taxes and identify characteristics of taxes based on your definition.
- DQ1.2 "Taxes are compulsory payment without expectation of direct return in benefit" – explain.
- DQ1.3 "Taxation is a way to transfer resources from private to government sector for accelerate economic and other development" – explain the statement considering purposes of taxation.
- DQ1.4 Classify taxes based on impact and incidence. State the merits and demerits of these classes.
- DQ1.5 Explain the characteristics of a good tax system.
- DQ1.6 Explain the role of tax in the economic development of Bangladesh.
- DQ1.7 "Tax structure in Bangladesh requires modification" – do you agree? Explain.
- DQ1.8 Write short note on:
- ☐ Multiple tax
 - ☐ Tax incidence
 - ☐ Canon of economy
 - ☐ Progressive tax
 - ☐ Tax shifting
- DQ1.9 Define Income Tax and identify some characteristics of taxes based on your definition.
- DQ1.10 State the scope of Bangladesh Income Tax Law.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
c	d	b	d	d	a	b	b	c	d

TRUE/FALSE

1	2	3	4	5
F	T	F	T	T

SELF – REVIEW 1.1

- (a) Tax is a contribution exacted by the state. It is a non-penal but compulsory and unrequited transfer of resources from the private to the public sector, levied based on predetermined criteria.
- (b) The four canons are:
- ☐ Canon of equality
 - ☐ Canon of certainty
 - ☐ Canon of economy
 - ☐ Canon of convenience

SELF – REVIEW 1.2

- (a) Under progressive tax system the rate of taxation increases as the taxable income increases. The principle of a progressive tax is "higher the income, higher the rate". It is considered more equitable.
- (b) A good tax system should be:
- ☐ levied based on fundamental principles of taxation like the principle of least sacrifice, cost, and benefit and above all ability to pay.
 - ☐ so imposed that they are equitable, convenient to pay, economical, certain, productive, and elastic i.e., they should follow the most important canons.
 - ☐ balanced containing both direct and indirect nature of taxes so that it can maximize government revenue.

SELF - REVIEW 1.3

- (a) Income tax is a tax on income. It is one tax and not a collection of taxes of different items of income and assessment to income tax is one whole and not a group of assessments of different items of income.
- (b) Characteristics of Income Tax –
- ☐ It is a direct tax.
 - ☐ Levy of Income tax is regulated by Income Tax Act, 2023.
 - ☐ It is charged on the total income of an income year of a person in an assessment year.
- (c) Objectives of Income Tax –
- ☐ Income tax is a major source of revenue for the government
 - ☐ This is possible by taxing rich people heavily and to confer benefit to the poorer section through progressive income tax
 - Income tax system encourages people to save through providing tax credit facilities on investment allowance.

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2

Basics of Income Tax

"Taxes are the lifeblood of government and no taxpayer should be permitted to escape the payment of his just share of the burden of contributing thereto."
— Arthur Vanderbilt

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

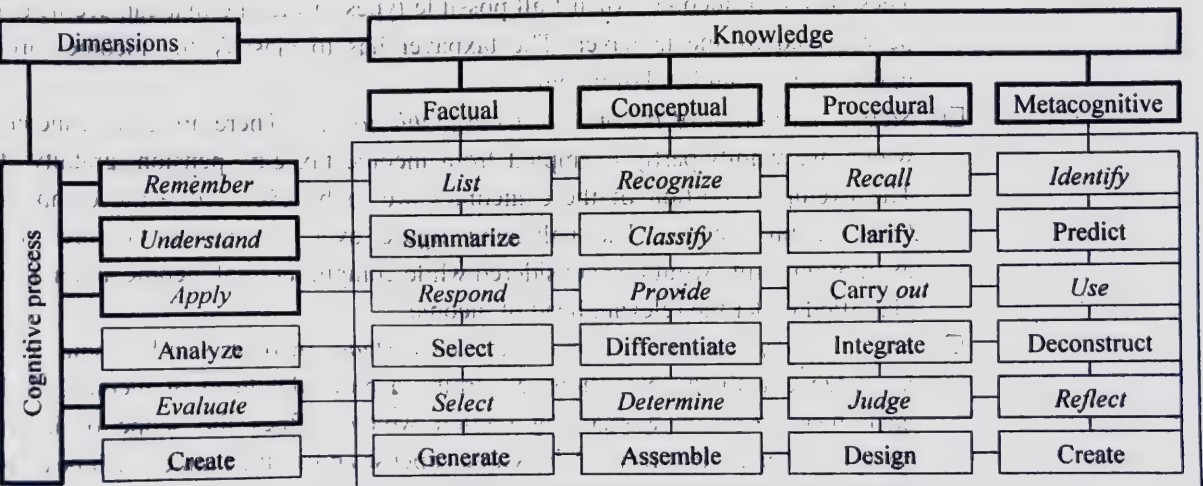
- CLO 2.1 identify the implications of income year & assessment year
- CLO 2.2 explain the tax payment cycle
- CLO 2.3 classify assessee under different criteria
- CLO 2.4 evaluate the impacts of residential status on assessment
- CLO 2.5 remember charge of income tax with applicable rates
- CLO 2.6 apply special tax rates under certain cases
- CLO 2.7 explain the provisions relevant for TIN

KEY TERMS

Income Year, Assessment Year, Assessee, Resident, Non-resident, Surcharge, Minimum Tax, Tax Rates, Undisclosed Income, TIN, Special Tax Rates

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



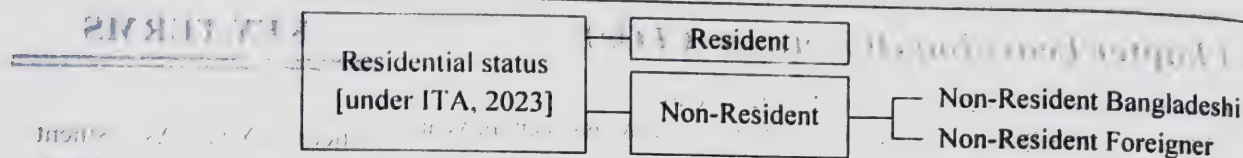
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INCOME TAX PAYMENT CYCLE IN BANGLADESH

Income tax is levied on an assessee's total income. Such total income must be computed as per the provisions contained in the ITA 2023 and other relevant laws. Following section presents different steps involved in the tax payment procedure.

- **Step 1: Determination of Income Year (period covered) and Assessment Year:** The period covered in the relevant income year of an assessee must be determined first. The income earned during that period will be considered in computing total income. Assessment year will also be determined accordingly.
- **Step 2: Determination of Residential Status:** The residential status of a person has to be determined to ascertain which income is to be included in computing the total income. The residential status of a person determines the taxability of the income e.g., income earned outside Bangladesh will not be taxable in the hands of a non-resident but will be taxable in case of a resident. The residential statuses as per the ITA, 2023 are shown below:



- **Step 3: Classification of Income under Different Heads:** According to ITA, 2023 and Income Tax Return Format, total income is classified under ten heads. They are

- | | |
|-----------------------------------|--------------------------------|
| ▪ Income from Employment | ▪ Rental Income |
| ▪ Agricultural Income | ▪ Income from Business |
| ▪ Capital gain | ▪ Income from Financial Assets |
| ▪ Income from Other Sources | ▪ Share of profit in a Firm |
| ▪ Income of Spouse or Minor Child | ▪ Foreign Income |

These heads of income exhaust all possible types of income that can accrue to or be received by the taxpayer. The taxpayer has to classify the income earned under the relevant head of income.

- **Step 4: Exclusion of Income not Chargeable to Tax:** There are certain incomes which are wholly/partly exempted from income tax e.g., pension, gratuity etc. The exempted portion of these incomes are to be excluded while computing Gross Total Income. The balancing figure over and above the prescribed exemption limits would be considered while computing total income and must be classified under the relevant head of income.

- **Step 5: Computation of Income under each Head:** Income is to be computed in accordance with the provisions governing a particular head of income. Under each head, there is a charging section which defines the scope of income chargeable under that head. Admissible expenses prescribed under each head will be deducted from the incomes to compute the net income under the head.

- **Step 6: Clubbing of Income of Spouse, Minor Child etc.:** In case of individuals, income tax is levied on a slab system on the total income. The tax system is progressive i.e., as the income increases, the applicable rate of tax increases. So, taxpayers in the higher income bracket may try to divert some portion of their income to their spouse, minor child etc. to minimize their tax burden. To prevent such tax avoidance, clubbing provisions have been incorporated in the ITA, 2023, under which income arising to certain persons (like spouse, minor child etc.) have to be included in the income of the person who has diverted his income for the purpose of computing tax liability.
- **Step 7: Set-off or Carry Forward of Losses:** An assessee may have different sources of income under the same head of income. For instance, an assessee may have profit from his textile business and loss from his printing business. The loss from his printing business can be set-off against the profits of textile business to arrive at the net income chargeable under the head "Income from Business". Similarly, an assessee may have loss under one head of income (e.g., Income from rent) and profits under another head (e.g., Income from business). ITA 2023 allows inter-head adjustment in certain cases. Further, losses which cannot be set-off in the current year due to inadequacy of eligible profits can be carried forward for set-off in the subsequent six years as per the provisions of the Act.
- **Step 8: Computation of Gross Total Income:** Final figures of income under each head of income, after allowing deductions, allowances, and other adjustments, are then aggregated, after giving effect to the provisions for clubbing of income and set-off and carry forward of losses, to arrive at the gross total income.
- **Step 9: Deductions from Gross Total Income:** There may have deductions prescribed from Gross Total Income. Such as, if agriculture is the only source of income there will be a deduction of Tk. 200,000 from the Gross Total Income.
- **Step 10: Deriving of Total Income:** The income arrived at, after claiming the above deductions from the Gross Total Income is known as the Total Income. It is also called the Taxable Income.
- **Step 11: Application of the Rates of Income Tax on the Total Income to compute Gross Income Tax Liability:** The rates of tax for the different classes of assesses are prescribed by the Finance Act. For individuals, HUF, and Firm, there is a slab rate and basic exemption limit. At present, the following income tax rate is applicable in the assessment year 2024 – 2025:

On first Tk.		On next Tk.			On remaining
350,000	100,000	400,000	500,000	500,000	income
@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%

The minimum non-assessable income limit will be Tk. 400,000 for women, and elderly citizens being more than 65 years of age. However, the limit is Tk. 475,000 for third gender & disable persons, and Tk. 500,000 for gazetted wounded freedom fighters. The minimum non-assessable limit of the parents or

legal guardians of disable/handicapped child/dependent will be Tk. 50,000 more for each child/dependent, but in case of being both father and mother being taxpayer, only one will avail the benefit.

However, for individual taxpayer, the minimum tax would be Tk. 5,000 (Dhaka - North & South and Chittagong city corporation area), Tk. 4,000 (other city corporation area), and Tk. 3,000 (areas other than city corporation). Individuals having gross annual receipts above Tk 3 crore will be subject to minimum tax of 0.25% of gross receipts. However, a higher rate (3%) is applicable if the individual is engaged in the manufacturing of Cigarette, Bidi, Chewing tobacco, Smokeless tobacco, or any other tobacco products.

For companies and other assesseees, different tax rates are applicable (e.g., Banks, Insurance & Financial Institutions - 37.5% and 40%, Public Limited Co. - 20% or 22.5% or 25% as the case may be, Private Limited Co., Trust, Fund, Association of Persons, and other entities - 27.5% or 30% as the case may be, One man company - 22.5% or 25% as the case may be, Merchant banks - 37.5%, co-operative society - 15%, Non-resident foreigner - 30%, Mobile phone companies - publicly traded 40% & non-publicly traded 45%, Tobacco goods manufacturing companies 45% etc.). The income tax rates must be applied on the total income to arrive at the gross income tax liability.

Step 12: Deduction of Tax Credit/Rebate on Tax Free Income and Investment Allowance to compute Net Tax Liability: From the gross tax liability the assessee will deduct applicable rebates, if any. An assessee will get the amount of *net tax liability after considering tax rebates*. As per the provisions of the ITA 2023, tax rebate is allowed on investment allowance, tax free incomes (e.g., share of profit in a firm) etc. as per the following rates:

- **@ Average rate on tax free income** (e.g., share of profit in a firm/AOP).
- **@ lower of (a) 3% of Total Income** excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable, **(b) 15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000.** Some examples like purchase of listed company's share, government securities, savings certificate etc. will be considered as investment allowance.

□ **Step 13: Surcharge:** Surcharge is an additional charge payable over and above the income tax. This is usually levied as a percentage of net income tax payable amount. For the assessment year 2024 - 2025 surcharge is applicable as follows:

Net Wealth Amount	Rate
Up to Tk. 4 crore	Nil
More than Tk. 4 crore to Tk. 10 crore or, having multiple motor cars under one name or, having more than 8000 sq. ft house in city corporation area	10%
More than Tk. 10 crore to Tk. 20 crore	20%

More than Tk. 20 crore to Tk. 50 crore	30%
More than Tk. 50 crore	35%

Additional 2.5% surcharge is applicable (i) on income from Cigarette, Biri, Jorda, Gul and other tobacco made products manufacturing business, (ii) on the income of educational institutions including school, college, and university that are failed to ensure the suitable system for the movement of disable persons according to the applicable laws in Bangladesh

- **Step 14: Computation of Net Tax Liability and Surcharge:** Total amount payable for an assessee is the sum of net income tax liability and surcharge.
- **Step 15: Adjustment of Advance tax, Tax deducted at source (TDS) and Refund:** Although the tax liability of an assessee is determined only at the end of the year, tax is required to be paid in advance in certain installment based on estimated income. In certain cases, tax is required to be deducted at source from the income at the rates prescribed in the Act. Such deduction should be made either at the time of accrual or at the time of payment, as prescribed by the ITA, 2023. For example, in the case of salary income, the obligation of the employer to deduct tax at source arises only at the time of payment of salary to the employees. Such tax must be remitted to the respective Tax Circle and Zone through Treasury Challan or Bank draft. Moreover, if the assessee has paid excess amount of tax in prior year than the desired tax liability, he can claim refund for the excess amount which can be adjusted with the net tax liability of the next year at the option of the assessee. After adjusting advance tax, tax deducted at source and refund, the assessee will get the net tax liability to be paid along with income tax return.
- **Step 16: Obtaining the Tax Identification Number (TIN):** An assessee must obtain a 12-digit E-TIN through online/from tax office if his total income exceeds the non-assessable limit (e.g., Tk. 350,000/Tk. 400,000/Tk. 475,000/Tk. 500,000 in respective cases) before submitting the Income Tax Return. Section 264 of the ITA, 2023 enumerated the requirement of 12-digit Taxpayer's Identification Number (TIN) and proof of submission of return in certain cases.
- **Step 17: Submission of Income tax return and payment of tax:** If any amount of income tax is due based on return of income, after adjusting advance tax, TDS and refund, the assessee must pay such amount of tax (called self-assessment tax) at the time of filing tax return. The return is submitted within due date (Tax Day i.e., Nov 30 of each year) to the tax office following relevant procedure.

2.2

INCOME YEAR AND ASSESSMENT YEAR

Income Year

The general rule of taxability is that the tax is levied in each financial year commencing on 1st July (known as assessment year in the scheme of the ITA 2023) in respect of income earned in the "Income year". Section 2(15) of the ITA, 2023 indicates income year as the period for which the total income of an assessee (for

bank, insurance financial institution or any subsidiary thereof January to December; and for other assessee's July to June) is calculated. The income tax amount is paid in the next fiscal year of the income year and is known as assessment year. Thus, if the income year is 2023-24, assessment year will be 2024 – 25.

Determination of the Income Year

According to section 2(15) of the ITA, 2023; "income year", means financial year immediately preceding the assessment year and includes—

- ☐ the period beginning with the date of setting up of a business and ending with the thirtieth day of June following the date of setting up of such business, e.g., if a business setting up date is September 01, 2023, the income year will be 2023-24 ending with 30th June 2024 (i.e., period covering 01.09.23 to 30.06.24);
- ☐ the period beginning with the date on which a source of income newly comes into existence and ending with the 30th day of June following the date on which such new source comes into existence, e.g., if a new source of income comes into existence (e.g., salary income) on January 01, 2024, the income year will be 2023-24 ending with 30th June 2024 (i.e., period covering 01.01.24 to 30.06.24);
- ☐ the period beginning with the first day of July and ending with the date of discontinuance of the business or dissolution of the unincorporated body or liquidation of the company, as the case may be, e.g., if a company goes for liquidation effective from December 31, 2022, the income year will be 2022-23 (i.e., period covering 01.07.22 to 31.12.22);
- ☐ the period beginning with the first day of July and ending with the date of retirement or death of a participant of the unincorporated body, e.g., if a participant of the unincorporated body dies or retires on 31st March 2023, the income year will be 2022-23 (i.e., period covering 01.07.22 to 31.03.23);
- ☐ the period immediately following the date of retirement, or death, of a participant of the unincorporated body and ending with the date of retirement, or death, of another participant or the thirtieth day of June following the date of the retirement, or death, as the case may be;
- ☒ in the case of bank, insurance, or financial institution the period of twelve months from January 1 of the relevant year, i.e., January 01 to December 31 of a year.

Provided that the DCT may allow a different financial year for a company which is a subsidiary, including a subsidiary thereof, or a holding company of a parent company incorporated outside Bangladesh or a branch/liaison office thereof, if such company requires a different financial year to consolidate its accounts with the parent company.

Importance of Income Year

- ☐ **Computation of Total Income:** An assessee has to pay tax on total income earned in the income year. Income earned in the previous or subsequent years to the income year will not be considered to compute total income of an income year.
- ☐ **Investment Allowance:** An assessee will be eligible to avail tax credit on the amount invested in the income year for which total income has been computed.

- ❑ **Residential status:** Residential status of an assessee is determined based on his stay in the income year in Bangladesh, not in the assessment year.
- ❑ **Submission of accounts:** The date of submitting the accounts of an assessee is determined based on the period covering in the income year.

Assessment Year

The term "Assessment Year" means the period of twelve months commencing on the first day of July every year or any other period as considered under the provisions of the ITA, 2023 [section 2(24)]. Thus, the assessment year generally begins on 1st July and ends on 30th June every year. This period is also known as the financial year. Accordingly, it is the current financial year in which income of the immediately preceding year (known as income year) is assessed. For instance, if the income year is from 01.07.23 to 30.06.24, assessment year is 2024 – 2025. Similarly, if the income year is from 01.07.24 to 30.06.25, the assessment year is 2025 – 2026.

Exceptions to the Rule of Assessment Year

Generally, income is taxed in the subsequent year to the income year. But, in certain cases, to protect the interests of revenue, the income is taxed in the year of earning itself. Thus, in those cases the assessment year and the income year are the same. The exceptions to the normal rule of assessment year are discussed as under:

- ❑ **Income of discontinued business [Section 191(3)]:** Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the last income year up to the date of such discontinuance will be charged to tax in that assessment year.
- ❑ **Persons leaving Bangladesh [Section 193(2)(b)]:** When it appears to the Assessing Officer that an individual may leave Bangladesh and has no intention to return, the total income of such individual for the period from the expiry of the income year in relation to the current assessment year up to the probable date of his departure from Bangladesh is chargeable to tax in current assessment year.
- ❑ **Income of non-resident shipping companies [Section 259(2)]:** Section 259(2) of the ITA 2023, provides for the taxation of income of non-resident shipping companies in the year in which they earn their income in Bangladesh, provided that such companies do not have any representative here.

Importance of Assessment Year

- ❑ **Computation of Tax Liability:** The tax liability on the total income earned in an income year is computed based on the tax rates applicable in the assessment year.
- ❑ **Tax exemption and tax rebate/credit facilities:** Tax exemption and tax rebate are to be considered based on the provisions applicable for an assessment year.

A Brief Summary of Income and Assessment Year

From the above discussions, we can sum up with following summaries regarding the identification of income year and assessment year for an assessee:



How do you determine income year for a business newly set up in a financial year?

- ☐ For bank, insurance or financial institutions income year will be the period covering twelve months commencing from the first day of January of the relevant year, i.e., English calendar year (January 01 to December 31) of a year.
- ☐ For other assessee's income year will be the period covering July to June. Here the income year may consist of less than twelve months under certain circumstances but will not exceed twelve months.
- ☐ Generally, income year is the financial year immediately preceding the assessment year; and assessment year is the subsequent year of the income year except some exceptions.

2.3 ASSESSEE AND PERSON

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2.3

Assessee

For the purpose of income tax, an entity's income shall be assessed. Thus, an assessee is a person who is liable to pay any sum under the Income Tax Act, 2023 or in respect of whom the proceedings have been initiated under this Act. According to section 2(22) of the ITA, 2023, the term "Assessee" includes:

- ☐ Every person who is liable to pay any sum under ITA, 2023;
- ☐ every person in respect of whom any proceeding under this Act has been taken for the assessment of his income or the income of any other person in respect of which he is assessable;
- ☐ every person by whom a minimum tax is payable under this Act;
- ☐ every person who is required to file a return, documents or statement under ITA, 2023;
- ☐ every person who desires to be assessed and submits return under this Act; and
- ☐ every person who is deemed to be an assessee, or an assessee in default, under any provision of this Act;

Person

The term "person" includes an individual, a firm, an association of persons, a Hindu undivided family, a trust, a fund, and a company. [Section 2(69)]

Classification of Assessee

According to the provisions of the ITA, 2023, an assessee can be classified under two dimensions:

- ☐ On the basis of person [Section 2(69)], and
- ☐ On the basis of residential status [Section 2(4) & 2(45)]

Income and Assessment Year: Illustrative Examples

Determine the income and assessment year for the following independent situations:

- (a) A Ltd. started their business on August 01, 2023.
- (b) ABC Firm joined as a consultant of a government project on January 01, 2024, for a five-year contract.
- (c) B Ltd closed all their business operations permanently on March 31, 2024.
- (d) ABC Traders is a Partnership firm and has been continuing its operation since 2018. One of the partners, A died on April 30, 2024.
- (e) XYZ Traders is a Partnership firm and has been continuing its operation since 2018. One of the partners, Z retired on August 31, 2023, and XY decided to continue the operation in the name of XY Traders from September 01, 2023. But unfortunately, one partner died on May 15, 2024.
- (f) Prime Bank Limited prepared its annual report covering the period 1.1.2023 to 31.12. 2024.
- (g) Mr. Jalil, a regular taxpayer, submitted his income tax return in the "Income Tax Fair, 2024".
- (h) Mr. Rabbi, a regular taxpayer, is going to leave Bangladesh permanently on April 30, 2024.
- (i) M. V. Atlantis, a ship of Panama based company (i.e., non-resident shipping company), carried imported goods to Bangladesh and received BDT 20,00,000 against this service on April 30, 2024, before leaving Chattogram Port.

The analysis of the above cases is presented below:

Assessee	Period covered in the income year	Income year	Assessment year
A Ltd.	Start August 01, 2023 End June 30, 2024	2023-2024	2024-2025
ABC (Firm)	Start January 01, 2024 End June 30, 2024	2023-2024	2024-2025
B Ltd.	Start July 01, 2022 End March 31, 2023	2023-2024	2023-2024*
ABC Traders (Firm)	Start July 01, 2023 End April 30, 2024	2023-2024	2024-2025
XYZ Traders (Firm)	Start July 01, 2023 End August 31, 2023	2023-2024	2024-2025
XY Traders (Firm)	Start September 01, 2023 End May 15, 2024	2023-2024	2024-2025
Prime Bank Ltd.	Start January 01, 2023 End December 31, 2023	2023-2024	2024-2025
Mr. Jalil	Start July 01, 2023 End June 30, 2024	2023-2024	2024-2025
Mr. Rabbi	Start July 01, 2023 End April 30, 2024	2023-2024	2023-2024*
M. V. Atlantis	Start July 01, 2023 End April 30, 2024	2023-2024	2023-2024*

*Based on the exceptions to the general rule of assessment year.



Determine the income year and the assessment year for the following independent situations:

- (a) Nitol Motors started their business on 01.08.2023.
- (b) Trust Insurance Limited started its operation on March 01, 2023.
- (c) Vertex Ltd. closed all their business operations on May 31, 2024, permanently.

Assessee – on the Basis of Person [Section 2(69)]

According to the provisions of the ITA, 2023, assessee is a person who is liable to pay any sum under the Income Tax Act, 2023 or in respect of whom the proceedings have been initiated under this Act. According to section 2(69), assessee can be classified into seven categories:

- **Individual:** An individual is a person including male, female, major, minor, or even a lunatic. It refers to human being. However, the income of a minor or a lunatic can only be assessed in the hands of the legal guardian or manager acting as a deemed assessee [Shridhar Udai Nairain v. CIT, (1962) 45 ITR 577(All.)].
- **Firm:** “Firm” has the same meaning as assigned to it in the Section IX of the Partnership Act, 1932. [Section 2(58)]
- **Association of Persons (AOP):** An association of persons is the one in which two or more persons join for a common purpose or common action with a view to produce income, profits, or gains. It need not be based on a contract. Therefore, if two or more persons join hands to carry on a business but do not constitute a partnership, they may be assessed as an AOP.
- **Hindu Undivided Family (HUF):** The expression “Hindu Undivided Family” is not defined by the Income Tax Act, 2023 and is therefore understood in context of the definition of a Joint Hindu Family under the Hindu Law. A HUF is a coparcenary or tenancy in common consisting of all male persons descended from a common ancestor of stated degree of lineal proximity. It also includes, for certain limited purposes, wives, and unmarried daughters of all such male members. They are joint in Mess, Worship and Residence; the family, as a whole is a unit of assessment.
- **Trust:** “Trust” means the Trust constituted by the Deed of Trust in accordance with the provisions of the Trust Act 1882 (Act II of 1882). A “trust” is an obligation annexed to the ownership of property and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another, or of another and the owner.
- **Fund:** “Fund” means any fund established or constituted in Bangladesh in accordance to any relevant law or rule or as declared by the SEC as alternative investment fund from time to time.
- **Company:** U/s 2(31) of the ITA 2023, “Company” means a company as defined in the Companies Act, 1994 and includes:
 - (a) Any liaison/representative office or branch office of a foreign organization;
 - (b) Any permanent organization of foreign entity or foreign personnel;

- (c) Any association or body incorporated by or under any law of Bangladesh or outside Bangladesh;
- (d) Any banking, insurance or financial institution;
- (e) Any industry and commerce association, foundation, society, cooperative society, and any educational institution;
- (f) Any organization registered with NGO Affairs Bureau or Microcredit Regulatory Authority;
- (g) Any association, whatever its nature, formed by firms, association of persons, joint venture or persons, where any of the parties is registered under the Companies Act, 1994 or foreign entity;
- (h) Gazetted Government Authority, Local Authority, Autonomous Body;
- (i) Entities that are lawful or legally standing unit formed as separate entities under the eyes of law;
- (j) Any entity except an individual, a firm, an association of persons, a Hindu undivided family, a trust, and a fund;
- (k) Any foreign association or organization, not registered under any law, specified as company under any general or special order by the Board.

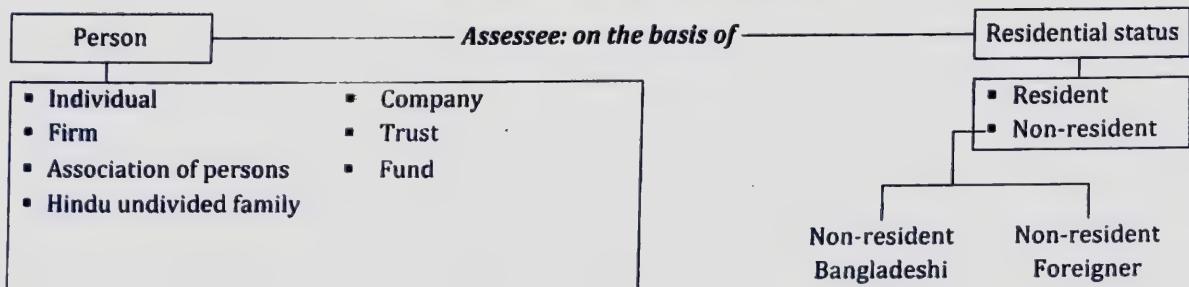
Example: Lets identify the status of the following entity as assessee: (i) Dhaka University. (ii) Shohag Paribahan Pvt. Ltd., (iii) Prime Bank Limited, (iv) X and Y who are legal heirs of Z (Z died in 2021 and X and Y carry on his business without entering into partnership), (v) Unique Enterprises, a firm consisting of A, B and C. (vi) A Hindu joint family consisting of P, Mrs. P and their son S. (vii) Dhaka North City Corporation, (viii) Comilla Cantonment Board, (ix) ICB Mutual Fund. (x) Anjuman Mufidul Islam, (xi) Mr. Mohammad Faisal Imtiaz

Here, Dhaka University i.e., (i) is an Artificial Judicial Person, likewise, (ii) is a Company, (iii) is a Company. (iv) is an Association of Persons, (v) is a Firm, (vi) is a Hindu Undivided Family. (vii) is a Company, (viii) is a Company, (ix) is a Fund, (x) Trust, (xi) Individual

EXHIBIT

2.2

Classification of Assessee



Assessee – on the Basis of Residential Status [Section 2(4) & 2(45)]

According to the residential status, an assessee can be classified into two categories:

- *Resident:* An assessee will be a resident in any income year if he fulfills any of the conditions stated in Section 2(45) of the ITA, 2023. Such as, an individual who stays in Bangladesh for a period of 183 days or more in the income year; ACI Limited whose control and management is situated wholly in Bangladesh in the income year.
- *Non-resident:* An assessee will be a non-resident as per Section 2(4) in any income year if he does not fulfill any of the conditions stated in Section 2(45) of the ITA, 2023. As per the citizenship, a non-resident individual can also be divided into following two categories: (a) Non-resident Bangladeshi; and (b) Non-resident Foreigner.

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DETERMINING RESIDENTIAL STATUS

Points to Remember in Determining the Residential Status

Residential status refers either to the period of stay of an assessee in Bangladesh or degree of control or management of the affairs of an assessee during the income year. This has a significant bearing on the tax liability as incidence of income tax varies according to the residential status of an assessee. For example, a non-resident will not be taxed on income earned outside Bangladesh while a resident is taxed on global income. In Bangladesh, according to the provisions stated in Section 2(45) or 2(4) of the ITA, 2023, it is determined whether an assessee is resident or non-resident. Such residential status is determined only by the specific provisions of this Act but not by any provision of other laws of the country. One must keep in mind the following pointers while determining the residential status of an assessee:

- *Residential status is determined for each category of persons separately* e.g., there are separate set of rules for determining the residential status of an individual and separate rules for firms, companies etc.
- *Residential status is determined separately for each income year:* Residential status may differ from year to year as it is determined separately for each income year subject to the fulfillment of specific conditions in that year. In a year, the assessee may be resident while in another year he may be non-resident.
- *Residential status is always determined for the income year:* Residential status in the assessment year is immaterial for tax purposes because we have to determine the total income of the income year only. [Wallence Bros. & Co. Ltd. vs CIT (1948)]
- *A person may be a resident of more than one country for any income year.* If Y is a resident in Bangladesh for income year 2023-24, it does not mean that he cannot be a resident of any other country for that income year.
- *Residential status will not depend on the citizenship of the assessee:* Determination of residential status has nothing to do with either the citizenship or domicile of a person. These are decided according to the provisions of the constitution whereas the residential status is subject matter of the Income Tax Act, 2023. An assessee may be a citizen of the country but may not be resident as per the ITA, 2023.

- *Burden of proving the residential status lies with the assessee:* The burden of proof to be a resident usually lies with the assessee and he must place all relevant facts, evidence and material before the income tax authorities to substantiate his claim. [V. Vr. N. M. Subbayya Chettiar vs. CIT (1951) 019 ITR 0168 (SC)]

Rules for Determining Residential Status of an Assessee

For determining the residential status of an assessee, sections 2(45) and 2(4) of the ITA, 2023 are important. If an assessee is not classified as 'resident' as per section 2(45), then within the meaning of section 2(4) he is classified as non-resident. Based on residential status, assessee is classified into two categories, Resident and Non-resident. The residential status of an individual depends mainly on the duration of his stay in Bangladesh in the income year. In case of a firm or company, it depends on the location of its management or control during the relevant income year. As per the ITA 2023, the following rules determine the residential status of an assessee:

- *Residential Status of an Individual:* An individual will be a resident in any income year if he fulfills any of the following two conditions [section 2(45)(a)]:
- if he stays in Bangladesh for a period of, or for periods amounting in all to, 183 days or more in that year; or
 - for a period of, or periods amounting in all to, 90 days or more in that year having previously been in Bangladesh for a period of, or periods amounting in all to, 365 days or more during four years preceding that year;

If none of the above two conditions are satisfied, such individual is non-resident in Bangladesh during that income year as per section 2(4). Following points should be kept in mind while determining the residential status of an individual assessee.

- Relevant income year is the year for which the residential status is being determined.
- In computing the period of stay in Bangladesh, it is not necessary that the stay should be for a continuous period. What is to be seen is the total number of days stay in Bangladesh during the relevant income year. Moreover, visit to Bangladesh during the four preceding years might also be regular or irregular in the similar manner.
- It is also not necessary that the stay should be only at one place. e.g., he may stay at Dhaka for 90 days and then go out of Bangladesh. On return in the same income year, he may stay at Rajshahi for 120 days during the income year. His total stay in Bangladesh will be 210 days for the income year.
- Generally, in computing the period of 183 days, the day he enters and the day he leaves Bangladesh should both be treated as stay in Bangladesh. However, in borderline cases where stay in Bangladesh is near about 183 days his stay in Bangladesh has to be calculated on hourly basis and a total of 24 hours will be taken as one day. For example, if a person is in Bangladesh for 82 days and 6 hours and then again, he comes to Bangladesh for 20 days and 20 hours, his stay in Bangladesh will be taken as 103 days.

- In a question where hour of entry and departure is not given, we should take both day of entry and day of exit as stay in Bangladesh [Ref. AAR (1997) 223 ITR 462, the Authority for Advance Ruling].
- Place and purpose of stay in Bangladesh is immaterial. Presence in territorial waters of Bangladesh would also be regarded as presence in Bangladesh.
- Official tours abroad in connection with employment in Bangladesh shall not be regarded as employment outside Bangladesh.
- A person may be resident of more than one country for any income year.
- Citizenship of a country and residential status of that country are two separate concepts. A person may be a Bangladeshi national/citizen but may not be a resident in Bangladesh and vice versa.

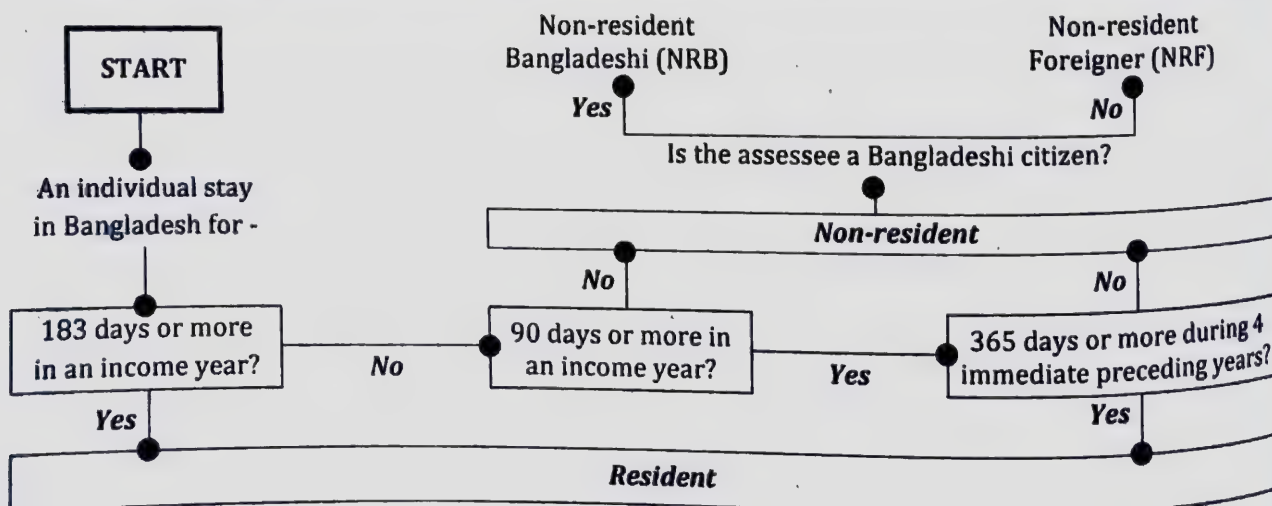
- *Residential Status of HUF, Firm, Association of Persons, a Bangladeshi Company or any other Company, a Trust, a Fund or an Entity:* A Hindu undivided family, firm or association of persons, a Bangladeshi company or any other company, a trust, a fund or an entity, will be a resident if the control and management of those affairs is situated wholly in Bangladesh in that year [Section 2(45)(b, c, d)]. However, if the control and management are situated wholly or partly outside Bangladesh, they will be treated as non-resident.

Note: The term “control and management” refers to “head and brain” which directs the affairs of policy, finance, disposal of profits and vital things concerning the management of the entity. While in the case of a firm, control and management is vested in partners, in case of an AOP it is vested in principal officer and in case of a company it is situated at the place where meetings of its board of directors are held.

EXHIBIT

2.3

Residential status determination flowchart for individuals



Residential Status Determination: Summary of Rules

Rules to be a Resident	Rules to be a Non-resident
<ul style="list-style-type: none"> ▪ Individual: Assessee is in Bangladesh in the income year for a period of – <ul style="list-style-type: none"> (a) 183 days or more; or (b) 90 days or more and 365 days or more during 4 immediately preceding years. ▪ HUF, Firm, AOP, Company, Trust, Fund, Entity: If the control and management is wholly in Bangladesh in the income year 	<p>If none of these two conditions are fulfilled</p> <p>If the control and management is situated wholly or partly outside Bangladesh in the income year</p>

Effects of Residential Status in Assessing Total Income

Determination of residential status of an assessee has a significant bearing on the tax liability as incidence of income tax varies according to the residential status of an assessee as per Section 26 of the ITA, 2023. Therefore, the scope of total income varies according to the residential status of an assessee. These provisions may be summarized as under:

	To be taxed or not	
	Resident	Non-resident
Bangladeshi income: Income received or deemed to be received in Bangladesh	Taxable	Taxable
Bangladeshi income: Income accrued or arose or deemed to accrue or arise in Bangladesh	Taxable	Taxable
Foreign income: Income accrued or arose outside Bangladesh	Taxable	Non-taxable

An analysis of the above provisions would highlight the following:

- ☐ Any income which is either received in Bangladesh or deemed to be received in Bangladesh is taxable in Bangladesh, irrespective of the residential status.
- ☐ Any income which is either earned in Bangladesh or is deemed to be earned in Bangladesh is taxable in Bangladesh, irrespective of the residential status.
- ☐ For a resident in Bangladesh all global income (local + foreign), wherever earned/received is taxable in Bangladesh.
- ☐ For a non-resident, an income is taxable only if it is either earned in Bangladesh or it is received in Bangladesh.

Effect of Residential Status in Determining Tax Liabilities

Determination of residential status of an assessee has a significant bearing on the tax liability as incidence of income tax varies according to the residential status of an assessee. In this regard we can consider the following issues:

- ☐ *To determine the amount of total income:* Determination of total income is different for residents and non-residents. A resident considers global income as his total income, but a non-resident does not consider income from other countries in his total income.
- ☐ *To determine minimum limit of taxable income:* A resident and non-resident Bangladeshi has to pay tax if his taxable income exceeds the minimum non-assessable limit i.e., Tk. 350,000 as per the ITA, 2023 (in case of women and elderly citizens being more than 65 years old Tk. 400,000, for third gender and disable persons Tk. 475,000 and for Gazetted wounded freedom fighters Tk. 500,000). But for a non-resident foreigner such minimum limit is not applicable.
- ☐ *Income tax rate:* For a resident and non-resident Bangladeshi, tax is calculated using the regular rates applicable for various levels of income. Such as, for first Tk. 350,000 @ 0%, for next Tk. 100,000 @ 5%. But a non-resident foreigner has to pay at maximum rate [@ 30%].
- ☐ *Income tax rebate:* A resident and non-resident Bangladeshi assessee get income tax rebate on investment allowance and on tax exempted income from gross tax liability. But, for a non-resident foreigner no tax rebate is applicable.

Thus, determination of residential status of an assessee has a significant bearing on the tax liability as total income, taxable income and tax rate are found to vary according to the residential status of an assessee.

Incidence of Tax on Non – Resident

- ☐ A person who is a non-resident is liable to tax on the incomes, profits and gains which are received or deemed to have been received or are deemed to accrue or arise to him in Bangladesh;
- ☐ A non-resident foreigner assessee is not entitled to any sort of allowance and relief as are admissible to a resident and non-resident Bangladeshi assessee for the purpose of tax rebate;
- ☐ A non-resident foreigner assessee is liable to tax on his total income @ 30%.
- ☐ A Bangladeshi non-resident is subject to tax at normal rate, like a resident assessee.



- (a) State any two characteristics of residential status of an assessee.
(b) How do you determine residential status of a company?

Determination of the Residential Status

Case 1: Mr. Jalil, an Indian citizen, stayed in Bangladesh from 1st August to 31st December, 2023 of the income year. What will be his residential status for the income year 2023-24?

Days of staying in BD during the income year (01.07.23 – 30.06.24)		Days of staying in preceding four years to the income year		Residential status
August 2023	31 days	2022-23	0 days	Mr. Jalil is a non-resident foreigner since none of the conditions have been fulfilled
September 2023	30 days	2021-22	0 days	
October 2023	31 days	2020-21	0 days	
November 2023	30 days	2019-20	0 days	
December 2023	31 days			
Total	153 days	Total	0 days	

Case 2: Mr. Hasan, a Bangladeshi citizen, stayed in Bangladesh from 1st July 2023 to 31st December, 2023 and left for Japan. What will be his residential status in the income year 2023-24?

Days of staying in BD during the income year (01.07.23 – 30.06.24)		Days of staying in preceding four years to the income year		Residential status
July 2023	31 days	2022-23	No need, as	Mr. Hasan is a resident since condition one has been fulfilled
August 2023	31 days	2021-22	condition one	
September 2023	30 days	2020-21	is already	
October 2023	31 days	2019-20	valid.	
November 2023	30 days			
December 2023	31 days			
Total	184 days			

Case 3: Mr. Mannan stayed in Bangladesh from 1st September 2023 to 31st December 2023 and left for Trinidad. He came back on 1st May 2024 and still staying in Bangladesh. What will be his residential status in the income year 2023-24?

Days of staying in BD during the income year (01.07.23 – 30.06.24)		Days of staying in preceding four years to the income year		Residential status
September 2023	30 days	2022-23	No need, as	Mr. Mannan is a resident since condition one has been fulfilled
October 2023	31 days	2021-22	condition one	
November 2023	30 days	2020-21	is already	
December 2023	31 days	2019-20	valid.	
May 2024	31 days			
June 2024	30 days			
Total	183 days			

Case 4: Arman Hossain, who was born and brought up in India, stayed in Bangladesh for business purpose during 01.06.2023 to 31.08.2023 and 01.04.2024 to 31.07.2024. Find out his residential status for the income year 2023-24.

Days of staying in BD during the income year (01.07.23 – 30.06.24)		Days of staying in preceding four years to the income year		Residential status
July 2023	31 days	2022-23	30 days	Mr. Arman Hossain is a non-resident foreigner since none of the conditions have been fulfilled
August 2023	31 days	2021-22	0 days	
April 2024	30 days	2020-21	0 days	
May 2024	31 days	2019-20	0 days	
June 2024	30 days			
Total	153 days	Total	30 days	

Case 5: Determine residential status of Jafor Hossain for the income year, who was born & brought up in India, stayed in Bangladesh for business purpose during 01.06.2023 to 30.09.2023 and 01.04.2024 to 31.07.2024.

Days of staying in BD during the income year (01.07.23 – 30.06.24)		Days of staying in preceding four years to the income year		Residential status
July 2023	31 days	2022-23	No need, as	Mr. Jafor Hossain is a resident since condition one has been fulfilled
August 2023	31 days	2021-22	condition one	
September 2023	30 days	2020-21	is already	
April 2024	30 days	2019-20	valid.	
May 2024	31 days			
June 2024	30 days			
Total	183 days			

Case 6: Determine residential status of Belal Hossain, who was born and brought up in Bangladesh, stayed outside Bangladesh for business purpose during 01.06.2023 to 31.08.2023 and 01.04.2024 to 31.07.2024.

Days of staying in BD during the income year (01.07.23 – 30.06.24)		Days of staying in preceding four years to the income year		Residential status
September 2023	30 days	2022-23	No need, as	Mr. Belal Hossain is a resident since condition one has been fulfilled
October 2023	31 days	2021-22	condition one	
November 2023	30 days	2020-21	is already	
December 2023	31 days	2019-20	valid.	
January 2024	31 days			
February 2024	29 days			
March 2024	31 days			
Total	213 days			

Case 7: Determine residential status of Abir Hossain, who was born and brought up in Bangladesh, stayed outside Bangladesh for business purpose during 01.06.2023 to 30.09.2023 and 01.03.2024 to 31.07.2024.

Days of staying in BD during the income year (01.07.23 – 30.06.24)		Days of staying in preceding four years to the income year		Residential status
October 2023	31 days	2022-23	365 days	Mr. Abir Hossain is a resident since condition two has been fulfilled
November 2023	30 days	2021-22	365 days	
December 2023	31 days	2020-21	365 days	
January 2024	31 days	2019-20	366 days	
February 2024	29 days			
Total	152 days	Total	1,461 days	

Case 8: Determine the residential status of Mr. Thomas, a citizen of USA, who has been staying in Bangladesh since 1st January 2020. He left Bangladesh on 16th July 2023 on a visit to USA and returned on 1st March, 2024.

Condition – 1: His stay (days) in Bangladesh during the income year 2023-24 is: July 23: 16 days, Mar 24: 31 days, Apr 24: 30 days, May 24: 31 days, Jun 24: 30 days = Total (16+31+30+31+30) = 138 days

Condition – 2: His stay (days) in preceding 4 income years: 2022 – 23: 365 days, 2021 – 22: 365 days, 2020 – 21: 365 days, 2019 – 20: 182 days [1.01.20 – 30.06.20] = Total 1,277 days

Residential status: As his staying was more than 90 days in the income year 2023 - 24 and more than 365 days in the preceding 4 years, he is a resident.

Case 9: Pat Cummins, an Australian cricketer visits Bangladesh for 100 days every year since 2018 – 19. (a) Determine his residential status for the income year 2023-24. (b) Will your answer be different if he has been coming to Bangladesh for 90 days instead of 100 days every year?

If visits 100 days every year: He is a resident as he stayed in Bangladesh for 100 days (more than required 90 days) in the income year 2023-24 and 400 days (100 × 4) (more than required 365 days) in the preceding 4 income years i.e., 2019-20, 2020-21, 2021-22, and 2022-23.

If visits 90 days every year: Yes. He will, in this case, be a non-resident foreigner as he stayed in Bangladesh for 90 days (equal to required 90 days) in the income year 2023-24 but 360 days (90×4) (less than required 365 days) in the preceding 4 income years. He does not fulfill any of the required conditions.

Case 10: Selina Akter, a Bangladeshi citizen, for the first-time left Bangladesh for higher studies on October 01, 2019. For celebrating the Eid, she came to Bangladesh on October 12, 2020, and stayed for 90 days; again, she came to Bangladesh in her brother's marriage ceremony on August 15, 2021 and stayed for 68 days. She also stayed in Bangladesh for 115 days from September 17, 2022, in Bangladesh for research purpose. Finally, after completing her studies she came to Dhaka on April 01, 2024. Determine her residential status for the income year 2023-24.

Condition 1 – Stay during income year 2023-24: April 24 – 30 days, May 24 – 31 days, June 24 – 30 days; total $(30+31+30) = 91$ days.

Condition 2 – Stays during four years preceding the income year: 2022-23: 115 days, 2021-22: 68 days, 2020-21: 90 days, 2019-20: $(31+31+30+1) = 93$ days, Total = $(115+68+90+93) = 366$ days.

Residential status: Resident, as condition 2 is valid

Case 11: Mr. Alex, a Canadian citizen, came to Bangladesh for the first time during the income year 2019-20. During the income years, 2019-20, 2020-21, 2021-22, 2022-23, and 2023-24, he was in Bangladesh for 55 days, 60 days, 90 days, 150 days and 100 days respectively. What is his residential status of Mr. Alex for the current income year.

He is a non-resident foreigner as he stayed in Bangladesh for 100 days (more than required 90 days) in the income year 2023-24 and $(55+60+90+150) = 355$ days (less than required 365 days) in the preceding 4 income years i.e., 2019-20, 2020-21, 2021-22, and 2022-23.

Case 12: Mr. Tanzi, a Japanese citizen, left Bangladesh after a stay of 10 years on 01.09.2021. During the financial year 2022-23, he came to Bangladesh for 46 days. Later, he returned to Bangladesh for one year on 01.02.2024. Determine his residential status for the income year 2023-24.

Condition – 1: During the year 2023-24, Mr. Tanzi was in Bangladesh for $(29+31+30+31+30) = 151$ days.

Condition – 2: His staying in preceding 4 income years total 840 days [2022-23: 46 days, 2021-22: 63 days [1.07.21 – 1.09.21], 2020-21: 365 days, 2019-20: 366 days]

Residential status: Since second condition is fulfilled, he is a resident.

Case 13: Hanshi Tanaka, a Japanese citizen, left Bangladesh on 27.09.2022 after a stay of 10 years for Business purpose. What will be his residential status for the income year 2022-23?

Condition 1 – Stay during income year 2022-23: July 22 – 31 days, August 22 – 31 days, September 22 – 27 days = $(31+31+27) = 89$ days.

Condition 2 – Stay during four years preceding the income year: 2021-22: 365 days, 2020-21: 365 days, 2019-20: 366 days, 2018-19: 365 days = $(365+365+366+365) = 1461$ days

Residential status: Non-resident foreigner, as none of the condition is valid.

Case 14: Mr. X, a Bangladeshi citizen, left Bangladesh on 22.12.2023 for the first time, to work as an official in World Bank, Washington office. Determine his residential status for the income year 2023-24.

He is a resident as he stayed in Bangladesh for $(31+31+30+31+30+22) = 175$ days (more than required 90 days) in the income year 2023-24 and $(365+365+365+366) = 1,461$ days (more than required 365 days) in the preceding 4 income years i.e., 2019-20, 2020-21, 2021-22, and 2022-23.

Case 15: Mr. Hasan left Bangladesh on 20th August 2022 for employment on a work permit valid for two years, i.e., from 1st August 2022 to 31st July, 2024. Mr. Hasan did not come to Bangladesh at any time during the year 2022 and 2023. He finally came to Bangladesh on 10th January 2024 and did not go back. Determine his residential status for the income year 2023-24.

122+29+31 = 182 days

$\alpha = 51 \text{ dB}$

2022 Jan 1 = 365 days

2020 to 30 June 2020) = 300

2019-20 (From 1, 1999) required 365 days

the matter (11/11/83) 182 days, 2022 will happen if he says

residential status for the year 2023-24?

(iv) 60 days in the year 2023-24 and total 50 days in the year 2022-23 and 2021-22 in good condition. His savings are Rs. 140+55+182

as 94 days which is more than required 300 days

If stays 65 days in 2023-24, income year 2023-24 is 65 days during pre-announced, 477 days during pre-announced,

60 days in 2022-23. Mr. Bullu is a non-regular employee whose salary for 2023-24 is 94 days which is less than the requirement of 90 days.

if comes 185 days in 2023-24 and total 360 days

the residential status of Veronica Deliveries in Bangladesh.

(b) control and management of those affairs is situated wholly in outside Bangladesh.

If control and management of those affairs is situated wholly in Bangladesh

If control and management is situated wholly in cuisine during...

control and management of those affairs is situated wholly in Bangladesh. (c) control and management of those affairs is situated wholly in Bangladesh.

: Resident

Non-Resident

Case 18. Dr. Huseen Mahmood works as a professor in a university in Australia. He left Bangladesh in 2010.

18

A detailed analysis of Dr. Mahmud's stay in different years is presented below:

A detailed analysis of Dr. Mahmood's stay in different years is presented below:

Test passed					Resident
1	N/A	N/A	N/A	11	1 & 11
				11	1 & 11

resident	resident	resident
resident	resident	resident

amounting in all to, three hundred and sixty-five days [365] or more during your years' preceding

Calculate total income of Mr. Lalal assuming that he is a (a) Resident (b) Non-resident

Income earned in Bangladesh: Salary Income

Profit of business in Singapore

Continued on p. 101 for the income

Canada Tk. 20,000 and gifts received from his parents in 1992.

Computation of total income

Rent from property in Bangladesh

Income from business in Dhaka controlled from Pakistan

Foreign income: Rent from property in Canada	<u>Tk. 450,000</u>	<u>Tk. 390,000</u>
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Case 22 Assessment of income of Mr. "X" for the income year 2023-24 includes Salary income received in Bangladesh for services rendered in Afghanistan Tk. 40,000 Income from profession in Bangladesh but received in Nepal Tk. 150,000 Property income in South Africa (out of which Tk. 90,000 was remitted to Bangladesh) Tk. 180,000 Profit received from business in China/Taiwan Tk. 60,000 and Agricultural income in Bhutan Tk. 20,000

Compute total income of Mr. "X" assuming that he is a (a) Resident (b) Non-resident

Computation of total income	Resident	Non-resident
Resident income	Tk. 40,000	Tk. 40,000
Income from profession in Bangladesh but received in Nepal	150,000	150,000
Income from business in China/Taiwan	60,000	60,000
Income from property in South Africa	180,000	-
Income from agricultural income in Bhutan	20,000	-
Total income	Tk. 450,000	Tk. 250,000

2.5

COMPUTATION OF TOTAL INCOME [SECTION 29 - 31]

According to Section 29 of the Income Tax Act 2023, total income of an assessee will be computed by adding the income from all income heads. If no other different provision is stated in the Act, for the purpose of charge of tax and computation of total income, any income will be included under any of the following seven heads [Section 30]

- ☐ Income from employment
- ☐ Income from rent
- ☐ Agricultural income
- ☐ Income from business
- ☐ Capital gain
- ☐ Income from financial assets
- ☐ Income from other sources

According to Section 31 of the ITA 2023, the following incomes are to be included to compute the total income of an assessee for charging income tax on it:

- ☐ where the assessee is a partner of a firm or member of an association of persons, his share on income of the firm or association of persons;
- ☐ where the spouse or minor child is not separately assessed, so much income of the spouse or minor child of such individual as arises, if,
 - the spouse or minor child is dependent on the assessee;
 - the assessee has a significant control on such income; or
 - the assessee is willing to include these incomes.

2.6

CHARGE OF INCOME TAX: BASIC PRINCIPLES

Income tax is a direct tax which is charged upon a person in respect of his taxable income. The chargeability of income tax means imposition of tax on the income earned in an income year, at the rate specified by the Parliament or proper authority, in an assessment year, in accordance with and subject to the provisions of the Income

Tax Act, 2023 Part 4 of the Income Tax Act, 2023 provides the basis of charge of income tax. Section 18 of the Act reveals the following basic principles of charge of income tax

Charge of Income Tax [Section 18 (1, 2, 3, 5)]

- ☐ Income tax shall be charged, levied, paid, and collected on the basis of the total income earned in an income year by an assessee;
- ☐ Income tax shall be charged, levied, paid, and collected based on the specific rate or rates applicable in an assessment year. The rate or rates are prescribed in the Finance Act enacted every fiscal year by the Parliament.

Income tax may also be charged, levied, paid, and collected based on the total income earned by an assessee in a period other than the income year.

- ☐ According to the provisions of the ITA 2023, the following taxes shall be charged, levied, paid, and collected:
 - Withholding tax / Tax deducted at source i.e. TDS
 - Advance tax
 - Minimum tax; and
 - Any other tax
- ☐ Notwithstanding anything contained in Section 18, income tax shall be charged at the rates specified in Part 7 and the Seventh Schedule in respect of-
 - Any income classifiable under the head "Capital Gain";
 - Any income by way of "dividend";
 - Any income by way of "winnings" from lotteries, crossword puzzles, card games, online games and other games of any sort referred to in section 67(9).

Basic Principles of Charging Tax, Surcharge / any other Charge

As we have discussed earlier, some basic principles are followed to charge tax on the taxable income of an assessee.

- ☐ As per general principles, income tax is charged on the income earned in an income year in the assessment year which is the subsequent year to the income year.
- ☐ The charge is on every person as stated in Section 2(69) i.e., an individual, a firm, an association of persons, a Hindu Undivided Family, a trust, a fund, and a company.
- ☐ The taxable income must pertain to income year and not to the assessment year.
- ☐ The tax is charged, levied, paid, and collected in accordance with and subject to the provisions of the ITA, 2023.
- ☐ Where income tax is to be deducted at source or paid or collected in advance as per the ITA, 2023, it shall be deducted, paid, and collected accordingly.
- ☐ The income has to be brought under any of the heads of income under Section 30 and can be charged to tax only if it is so chargeable under the computing section corresponding to that head of income.

Tax to be Calculated to Nearest Taka [Section 331]

In the determination of the amount of tax or of a refund payable under this Act, fractions of a taka, less than fifth paise, shall be disregarded and fractions of a taka equal to or exceeding fifth paise shall be regarded as one taka.

Income Tax Act Override Other Laws [Section 3]

Notwithstanding anything contained in any other law for the time being in force, the provisions of this Act or any proceedings thereunder shall prevail over any other law in respect of tax on income and exemptions of tax thereof.

CHARGE OF SURCHARGE [SECTION 18(4)]

The government through Parliament may also charge surcharge in addition to income tax. According to Section 18(4) of the ITA 2023, the surcharge or any other charge is changed, levied, paid, and collected in accordance with and subject to the provisions of the Acts enacted in the Parliament.

As per the provisions of the Finance Act, 2024, for the assessment year 2024-25, surcharges will be applicable in the following cases:

☐ **On Individual assessee for showing higher total net worth [Section 167]**

An 'Individual' assessee is liable to pay surcharge as a percentage of net tax payable amount on his total income:

Net Wealth Amount		Rate
Up to Tk. 4 crore		Nil
More than Tk. 4 crore to Tk. 10 crore or, having multiple motor cars under one name or, having more than 8000 sq. ft house in city corporation area		10%
More than Tk. 10 crore to Tk. 20 crore		20%
More than Tk. 20 crore to Tk. 50 crore		30%
More than Tk. 50 crore		35%

☐ **On assessee having income from tobacco goods manufacturing business**

Additional 2.5% surcharge is applicable on a taxpayer's income from Cigarette, Bidi, Jorda, Gut and other tobacco made products manufacturing business.

☐ **Environmental Protection Surcharge on owner's of multiple motor cars**

Owners of more than one motor vehicle are likely to face an environmental protection surcharge from the fiscal year 2023-24 as the government plans to discourage the use of vehicles in a bid to contain carbon emissions and air pollution. According to the provision specified in the Finance Act 2024, the owners of multiple motor vehicle will have to pay the environmental protection surcharge depending on their engine capacity. The amount of such surcharge against the engine capacity is presented in the table below:

Nature of Motor Vehicle		Environmental protection surcharge
Up to 1500 cc or 75 Kilowatt (Kw)		Tk. 25,000
Exceeding 1500 cc but not more than 2000 cc		Tk. 50,000
Exceeding 2000 cc but not more than 2500 cc		Tk. 75,000
Exceeding 2500 cc but not more than 3000 cc		Tk. 150,000
Exceeding 3000 cc but not more than 3500 cc		Tk. 200,000
Exceeding 3500 cc or 175 Kw		Tk. 350,000

Conditions

- Between two or more cars, the tax will be imposed on the car with higher CC.
- Environmental Protection Surcharge will be collected at source by the Registration or Fitness Renewal Authority (i.e. BRTA) at the renewal time of registration or fitness of the vehicle
- If the registration or fitness renewal is done for multiple years, Environmental Protection Surcharge is required to be paid at the rate applicable in the subsequent fiscal year ending June 30, of the year in which renewal took place.
- If an assessee fails to pay the above mentioned (c) Environmental Protection Surcharge at source, such surcharge amount will be determined at the time of renewal, using the formula:

(A + B) where,
A. Accrued Environmental Protection Surcharge of previous years
B. Environmental Protection Surcharge applicable in the year of payment
- If the Environmental Protection Surcharge is not paid before the submission of income tax return, such surcharge amount will be charged and collected by the DCT at the time of processing income tax return / assessment.
- Such Environmental Protection Surcharge amount is not applicable for refund or adjustment with any other kind of taxes.
- For the purposes of this section, Motor Vehicle means any such vehicle excluding Bus, Minibus, Prime Mover, Truck, Lorry, Tank Lorry, Pickup Van, Human Hauler, Autorickshaw, and Motorcycle.

EXHIBIT

2.5

Illustrating Charge of Surcharge

Case 1: Mr. Sabbir has a total income of Tk. 13 crore and net wealth of Tk. 2.9 crore. His tax liability on income stands at Tk. 125,000. Here, his surcharge amount will be zero as the net wealth amount is less than Tk. 4 crore.

Case 2: Mr. Sabbir has a total income of Tk. 550,000 and net wealth of Tk. 2.9 crore. He owns 2 motor cars. His tax liability stands at Tk. 15,000. Though his net wealth is below 4 crores, surcharge for having multiple motor cars stands at (15,000 × 10%) = Tk. 1,500. So, total liability of tax and surcharge will be (15,000 + 1,500) = Tk. 16,500.

Case 3: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 46,000,000. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be (125,000 × 10%) = Tk. 12,500 and total liability of tax and surcharge will be (125,000 + 12,500) = Tk. 137,500.

Case 4: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 11,00,00,000. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be (125,000 × 20%) = Tk. 25,000 and total liability of tax and surcharge will be (125,000 + 25,000) = Tk. 150,000.

Case 5: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 51,00,00,000. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be (125,000 × 35%) = Tk. 43,750. So, total liability of tax and surcharge will be (125,000 + 43,750) = Tk. 168,750.

Case 6: Mr. Sabbir has a total income of Tk. 1,375,000 and net wealth of Tk. 31,00,00,000. He owns two motor cars of 1500 cc and 2700 cc respectively. His tax liability on income stands at Tk. 125,000. In this case, his surcharge amount will be (125,000 × 30%) = Tk. 37,500. Environmental Protection Surcharge on higher capacity car (i.e. 2700 cc) stands at Tk. 150,000. So, total liability of tax, surcharge, and environmental protection surcharge will be (125,000 + 37,500 + 150,000) = Tk. 312,500.

Case 7: Mr. Sabbir has a total income of Tk. 1,375,000 (of which Tk. 400,000 from Cigarette manufacturing business) and net wealth of Tk. 29,000,000. His tax liability on income stands at Tk. 243,750. In this case, his surcharge amount will be zero as the net wealth amount is less than Tk. 4 crore. But 2.5% surcharge will be applicable on his income from Cigarette manufacturing business. In this case, his surcharge amount will be (400,000 × 2.5%) = Tk. 10,000 and total liability of tax and surcharge will be (243,750 + 10,000) = Tk. 253,750. Tax = (350,000 × 0%) + (100,000 × 5%) + (400,000 × 10%) + (125,000 × 15%) + (400,000 × 45%) = (0 + 5,000 + 40,000 + 18,750 + 180,000) = 243,750. Tax rate for income from cigarette manufacturing business is 45%.

Case 8: Mr. Sabbir has a total income of Tk. 1,375,000 (of which Tk. 400,000 from Cigarette manufacturing business) and net wealth of Tk. 41,000,000. He owns two motor cars of 1500 cc and 1800 cc respectively. His tax liability on income stands at Tk. 243,750. In this case, for having net wealth exceeding Tk. 4 crore, his surcharge amount will be (243,750 × 10%) = Tk. 24,375. Moreover, 2.5% surcharge will be applicable on his income from Cigarette manufacturing business. In this case, his surcharge amount will be (400,000 × 2.5%) = Tk. 10,000. Environmental Protection Surcharge on higher capacity car (i.e. 1800 cc) stands at Tk. 50,000. So, total liability of tax and surcharges will be (243,750 + 24,375 + 10,000 + 50,000) = Tk. 328,125. Tax = (350,000 × 0%) + (100,000 × 5%) + (400,000 × 10%) + (125,000 × 15%) + (400,000 × 45%) = (0 + 5,000 + 40,000 + 18,750 + 180,000) = 243,750. Tax rate for income from cigarette manufacturing business is 45%.

Case 9: X Ltd is a Private limited Co. registered in Bangladesh involved in manufacturing cigarette. During the assessment year 2024-25, its total assessed income is Tk. 3,000,000 and income tax rate is 45%. Here, Income tax @ regular rate i.e. 45% (3,000,000 × 45%) = Tk. 1,350,000. Moreover, surcharge @ 2.5% (Tk. 3,000,000 × 2.5%) = Tk. 75,000. Thus, total liability of tax and surcharge will be (1,350,000 + 75,000) = Tk. 1,425,000.

2.8

CLO 2.5

2.9

CLO 2.5

CHARGE OF ADDITIONAL TAX [SECTION 19]

Notwithstanding anything contained in any other provision of ITA, 2023, where any person employs or allows, without prior approval of the appropriate authority of the Government, any individual not being a Bangladeshi citizen to work at his business or profession at any time during the income year, such person shall be charged additional tax at the rate of fifty per cent (50%) of the tax payable on his income or taka five lakh, whichever is higher in addition to tax payable under this Act.

Example: Y Ltd is a Private limited Co. registered in Bangladesh involved in manufacturing packaging products. During the assessment year 2024-25, its total assessed income is Tk. 3,000,000 and income tax rate is 27.5%. From an investigation, it has been found that they have appointed one foreigner to work at their office without prior approval of the appropriate authority. Here, the income tax liability shall be: Income tax @ regular rate i.e., 27.5% (3,000,000 × 27.5%) = Tk. 825,000. Additional tax for appointing a foreigner without prior approval of the appropriate authority: higher of (a) 50% of the tax payable (825,000 × 50%) = Tk. 412,500 or (b) Tk. 500,000. So, additional tax is Tk. 500,000. Total liability of tax and additional tax will be (825,000 + 500,000) = Tk. 1,325,000.

INCOME TAX RATES

There is a provision of the Finance Bill being presented to the Parliament by the Finance Minister along with the Budget every year. It contains the proposed rates of income tax for the assessment year. A few amendments in the tax laws are also incorporated therein and when it is passed in the parliament, it is known as the Finance Act. According to the Finance Act 2024, following structure of income tax rate is applicable for the assessment year 2024 – 2025.

☐ For every individual including Bangladeshi Non-residents, HUF, and Firms

	Rate
On the first Tk. 350,000 of total income	Nil
On the next Tk. 100,000 of total income	5%
On the next Tk. 400,000 of total income	10%
On the next Tk. 500,000 of total income	15%
On the next Tk. 500,000 of total income	20%
On the balance of Total income	25%

Notes:

- The minimum non-assessable income limit will be Tk. 400,000 for women, and elderly citizens being more than 65 years of age. For third gender and disable persons Tk. 475,000, and for gazetted wounded freedom fighters (whose name is included in the queue of Ministry of Liberation War Affairs) Tk. 500,000. The minimum non-assessable income limit of the parents or legal guardian of disable child/dependent, will be Tk. 50,000 more for each child/dependent. If both the father and mother of such disable child/dependent are taxpayers, any one (not both) will enjoy the benefit. Minimum tax would be Tk. 5,000 (Dhaka North, Dhaka South & Chittagong City corporation area (CCA)), Tk. 4,000 (Other CCA) and Tk. 3,000 (Other than CCA).

- Minimum tax of an individual having gross receipts of taka 3 crore or more will be 0.25% of gross receipt as per section 163(5)(a). Higher rate if the individual is engaged in the manufacturing of Cigarette, Bidi, Chewing tobacco, Smokeless tobacco or any other tobacco products (3%).
- Minimum tax of a firm having gross receipts above Tk. 50 lac irrespective of earning profit or incurring loss is 0.60% of gross receipt as per section 163(5)(a). Higher rate if the firm is in mobile phone operations (2%) or in the manufacturing of Cigarette, Bidi, Chewing tobacco, Smokeless tobacco, or any other tobacco products (3%), or Carbonated Beverage Manufacturer (3%).

Income Tax rates for particular class of taxpayers (other than company).

	Rates
Non-resident foreigner (individual)	30%
Income from Cigarette, bidi, chewing tobacco, smokeless tobacco etc. business by Cigarette Manufacturer other than company	45%
Co-operative Societies registered under the Co-operative Societies Act, 2001	20%
Income of Trust, Fund, Association of Persons, and other taxable entities (other than company). <i>Provided that, all the incomes and receipts must be transacted through bank transfer; and all expenses and investments (not exceeding taka 5 lac in a single transaction and Total Tk. 36 lac annually) must be made through bank transfer. In case of failure to do so, the tax rate will be 30%.</i>	27.5%
Income of Private Universities/Colleges (plus medical, Dental, & Engineering Colleges) where only IT related subjects are taught	15%

Income Tax rates applicable for Companies.

	Rates
Publicly traded companies that transferred more than 10% of its paid-up capital through Initial Public Offerings (IPO) (other than banks, insurance, financial institutions, merchant bank, cigarette manufacturing companies, and mobile phone operator companies).	20%*
Publicly traded companies that transferred maximum 10% of its paid-up capital through IPO (except banks, insurance, financial inst, merchant bank, cigarette manufacturing, mobile phone operator co).	22.5%*
For company not being publicly traded company (other than banks, insurance, other financial institutions, merchant bank, cigarette manufacturing companies and mobile phone operator companies).	25%*
One man company	20%*

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For Bank, Insurance, and financial institutions (but not merchant bank):	Publicly traded	37.5%
	Non-publicly traded	40%
For Merchant banks		37.5%
For Cigarettes, bidi, chewing tobacco, smokeless tobacco or any other tobacco products Manufacturer Companies		45%
For Mobile Phone Operators, not being publicly traded company		45%
Mobile Phone Operator Companies, being publicly traded company by issuing minimum 10% of its total shares through stock exchanges (of which through Pre-Initial Public Offering Placement cannot be more than 5%). If a non-publicly mobile phone operator company transfers at least 20% of its paid-up capital through IPO, the company will get tax rebate @ 10% of the income tax in the year of transfer.		40%
For Trust, Fund, Association of Persons, and any other taxable entity (not being a company).		25%*

- * All income and receipts, and all expenses and investments over taka 0.5 million for a single transaction, and total taka 3.6 million in a year shall be made through banking channel; otherwise, tax rate will be increased by 2.5%.

Note:

- The "publicly traded company" means a public limited company registered in Bangladesh under the Companies Act 1913/1994 and listed in a stock exchange in Bangladesh before the end of the year for which assessment is to be made.

However, minimum tax of a company irrespective of earning profit or incurring loss is percentage of gross receipt amount: 3% for manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products; 3% for carbonated beverage producer; 2% for Mobile phone operator; and 0.60% for any other cases, as per section 163(5)(a).

Provided that such rate of tax shall be 0.10% of such receipts for an industrial undertaking engaged in manufacturing of goods for the first three income years since commencement of its commercial production.

If any taxpayer who, as an employer, employs minimum 10% of its organizational workforce or more than 25 employees from the physically challenged or third gender people group, will enjoy additional rebate. The rebate amount will be lower of five percent (5%) of the tax payable amount on its income or 75% of the total salary amount paid to such physically challenged/thirdgender employee group.

2.10

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25**CHARGE OF MINIMUM TAX [SEC 18(3)(c) & 163]**

According to Section 18(3)(c), where under the provisions of this Act any minimum tax is to be charged, it shall be charged, levied, paid and collected accordingly. Notwithstanding anything contained in any other provisions of this Act, minimum tax shall be payable by an assessee in accordance with the provisions of section 163 of the ITA, 2023. The provisions are as follows:

Where Minimum Tax Will Be Applicable? [Section 163(2)]

- ☐ Any tax deducted or collected at source under the provisions of sections 88-92, 94-95, 100-102, 105, 106, 108, 110-118, 120-129 and 132-139 shall be the minimum tax from the source(s) from which tax has been deducted or collected.
- ☐ For the sources of income for which minimum tax is applicable, books of accounts shall be maintained in the regular manner as per section 72.
- ☐ Income from any source, for which minimum tax is applicable under this sub-section, shall be determined in regular manner and tax shall be calculated by using applicable rate on such income. If the tax so calculated is higher than the minimum tax, the higher amount shall be payable on such income.
- ☐ Income or loss computed in accordance with clause (d) shall not be set off with loss or income, respectively, computed for any regular source.

Which taxes will not be treated as Minimum Tax? [Section 163(3)]

- Tax deducted or collected from the following sources shall not be the minimum tax:
 - ☐ Tax deducted under section 120 from import of goods by an industrial undertaking except an industrial undertaking engaged in producing cement, iron or iron products, ferro alloy products or perfumes, carbonated beverage, milk powder, aluminium products, ceramic products and toilet waters as raw materials for its own consumption;

Assessee with Income in Addition to Sources Mentioned in Sec 163(4)

- Where the assessee has income from regular source in addition to the income from source of sources for which minimum tax is applicable under section 163(2)-
 - ☐ regular tax shall be calculated on the income from regular source;
 - ☐ the tax liability of the assessee shall be the aggregate of the tax as determined under sub-section (2) and the regular tax under clause (a).

Minimum Tax for An Individual, A Firm or A Company [Section 163(5)]

- ☐ an assessee being –
 - an individual having gross receipts of taka three crore or more;
 - a firm having gross receipts of more than taka fifty lakh; or
 - a company
 - a trust,
- ☐ the above-mentioned individual/firm/company/trust, shall, irrespective of its profits or loss in an assessment year, be liable to pay minimum tax of an assessment year at the following rate on gross receipts:

Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco, or any other tobacco products	3.00%
Carbonated beverage	3.00%
Mobile phone operator	2.00%
Individual other than individual engaged in the manufacturing of cigarette, bidi, chewing tobacco, smokeless tobacco, or any other tobacco products, having gross receipts of taka 3 crore or more	0.25%
Any other cases	0.60%

Provided that such rate of tax shall be 0.10% of such receipts for an industrial undertaking engaged in manufacturing of goods for the first three income years since commencement of its commercial production.

- ☐ where the assessee has an income from any source that is exempted from tax or is subject to a reduced tax rate, the gross receipts from such source or sources shall be shown separately, and the minimum tax shall be calculated as follows –
 - minimum tax for receipts from sources that are subject to regular tax rate shall be calculated by applying the rate mentioned in above;
 - minimum tax for receipts from sources that enjoys tax exemption or reduced tax rate shall be calculated by applying the rate mentioned in above as reduced in proportion to the exemption of tax or the reduction of rate of tax;
 - minimum tax under this sub-section shall be the aggregate of the amounts calculated under above two sub-clauses.

Points to be Noted While Charging the Minimum Tax [Section 163(6) & 169]

- ☐ Where the provisions of both sub-section (4) and sub-section (5) apply to an assessee, minimum tax payable by the assessee shall be the higher of (a) the minimum tax under sub-section (4); or (b) the minimum tax under sub-section (5).
- ☐ Minimum tax under sub-section (2) shall not be refunded, nor shall be adjusted against refund due for earlier year or years or refund due for the assessment year against income tax. While computing tax under sub-section (6), if computed tax amount exceeds the minimum tax, such refund will be adjustable.
- ☐ Where any surcharge, additional interest, additional amount etc. is payable under provisions of this Act, it shall be payable in addition to the minimum tax.
- ☐ Where the regular tax calculated for any assessment year is higher than the minimum tax under this section, regular tax shall be payable.
- ☐ In this section (i) **regular source** means any source for which minimum tax is not applicable under sub-section (b); (ii) **regular tax** means the tax calculated on regular income using the regular manner; (iii) **regular tax rate** means the rate of tax that would be applicable if the tax exemption or the reduced rate were not granted; (iv) **gross receipts** means all receipts derived from the sale of goods; all

- fees or charges for rendering services or giving benefits including commissions or discounts; and all receipts derived from any heads of income.
- ☐ Where tax has been mistakenly deducted and collected in excess of the due amount, such excess deduction or collection cannot be considered as collection of minimum tax under section 163 [U's 164].

Example 1: X Ltd is a Private Limited Co. registered in Bangladesh involved in manufacturing organic. During the assessment year 2023-24, its total assessed income is Tk. 1,500,000 consisting net operating income of Tk. 1,250,000 and interest income of Tk. 250,000. If sales turnover is Tk. 20,000,000 and income tax rate is 45%, calculate income tax liability for X Ltd.

Income tax @ regular rate i.e. $45\% \times (1,500,000 \div 45\%) = \text{Tk. } 675,000$.
 Gross receipts of the company: $(\text{Tk. } 20,000,000 \div \text{Tk. } 250,000) = \text{Tk. } 20,250,000$
 Minimum tax amount = $(\text{Tk. } 20,250,000 \times 3\%) = \text{Tk. } 607,500$.
 Since, the regular tax is greater than the min., the tax liability of X Ltd. will be Tk. 675,000.

Example 2: Y Ltd is a Private Limited Co. registered in Bangladesh involved in noodles business. During the income year 2023-24, its-
 Net operating income (loss) $(\text{Tk. } 450,000)$
 Interest income $(\text{Tk. } 250,000)$
 Total assessed income (loss) $(\text{Tk. } 200,000)$
 Sales revenue for the income year is Tk. 2,00,00,000 and applicable income tax rate is 27.5%.
 Calculate income tax liability.

Income tax @ regular rate i.e. 27.5% is Nil, since there is net loss.
 Gross receipts of the company: $(\text{Tk. } 20,000,000 \div \text{Tk. } 250,000) = \text{Tk. } 20,250,000$
 Minimum tax amount = $(\text{Tk. } 20,250,000 \times 0.60\%) = \text{Tk. } 121,500$.
 Since, the minimum tax is greater than the regular tax, the tax liability will be Tk. 121,500.

2.11 CHARGE OF TAX ON THE DIFFERENCE OF INVESTMENT, IMPORT AND EXPORT [SECTION 20]

- Where, in any income year, the assessee has, in the statements submitted by him:
- ☐ claimed to have carried on any import or export, and the amount paid or received for such import or export respectively, as shown in the statement, is found to be different from the actual transaction value, or
 - ☐ claimed to have made any investment and the actual of investment is found to be lower than the amount of investment disclosed in the statement,
- tax, without prejudice to any other provisions of this Act, shall be payable at the rate of fifty percent (50%) on the amount of the difference as mentioned in clause (a) or on the difference between the disclosed and the actual amount of investment as mentioned in clause (b), as the case may be.

Example 1: X Ltd., a private limited company, has claimed that the monetary value of their total export during the income year 2023-24 was Tk. 5,00,00,000. But through an investigation it has been revealed that its actual amount of export was Tk. 6,00,00,000.

2.12 SPECIAL TAX TREATMENT OF UNDISCLOSED OFFSHORE ASSETS [SECTION 21]

In addition to the amount of its regular tax, X Ltd. has to pay additional tax amount of fifty percent (50%) on the amount of the difference in actual and disclosed export value i.e. $(6,00,00,000 - 5,00,00,000) \times 50\% = \text{Tk. } 50,00,000$.

Example 2: Mr. Bulbul, has claimed and adjusted rebate on an investment of Tk. 1,00,000. But, through audit it has been found that his actual amount of investment was Tk. 80,000. In addition to the amount of his regular tax, Mr. Bulbul has to pay additional tax amount of fifty percent (50%) on the amount of the difference between the disclosed and the actual amount of investment i.e. $(1,00,000 - 80,000) \times 50\% = \text{Tk. } 10,000$

According to Section 21, without prejudice to any other liability which may incur under any other provision of this Act and any other law for the time being in force, where any person being a resident Bangladeshi is found to be the owner of any offshore asset not disclosed in the return and the assessee offers no explanation about the nature and source thereof or the explanation offered is not satisfactory, the Deputy Commissioner of Taxes shall, after ensuring a reasonable opportunity of being heard, proceed to recover from such person the amount of penalty equal to the fair value of such offshore asset.

The DCT has been empowered to conduct offshore investigation and confiscate or sell such asset to recover penalty. To prevent holding undisclosed offshore asset and to recover such undisclosed asset, the Board shall have the power to take necessary action as it deems fit; or allow, conduct, permit, arrange an inquiry or investigation by any income tax authority not being below the rank of Deputy Commissioner of Taxes."

2.13 CHARGE OF TAX ON RETAINED EARNINGS, RESERVES, SURPLUS ETC. [SECTION 22]

Notwithstanding anything contained in this Act or any other law for the time being in force, if in an income year, the total amount transferred to retained earnings or any fund, reserve or surplus, called by whatever name, by a company registered under the Companies Act, 1994 and listed to any stock exchange exceeds seventy per cent of the net income after tax, tax shall be payable at the rate of ten per cent on the total amount so transferred in that income year.

Example 1: X Ltd., a listed company, has the following information for the current assessment year: Net Profit After Tax Tk. 20,00,00,000 of which 60% i.e., 12,00,00,000 was transferred to retained earnings and rest of the 40% i.e., Tk. 8,00,00,000 was distributed as dividend. In this case, no tax will be imposed on transferred amount to retained earnings as the transferred amount does not exceed 70% of the net profit after tax.

Example 2: Y Ltd., a listed company, has the following information for the current assessment year: Net Profit After Tax Tk. 200,000,000 of which 80% i.e., 160,000,000 was transferred to retained Earnings and rest of the 20% i.e., Tk. 40,000,000 was distributed as dividend. In this case, 10% tax will be imposed on transferred amount to retained earnings (Tk. 16,00,00,000 @ 10%) = Tk. 1,60,00,000 as the transferred amount exceeds 70% of the net profit after tax.

CHARGE OF TAX ON STOCK DIVIDEND [SECTION 23]

Notwithstanding anything contained in this Act or any other law for the time being in force, if in an income year, the amount of stock dividend declared or distributed or exceeds the amount of cash dividend declared or distributed under the Companies Act, distribution of any cash dividend by a company registered under the Companies Act, 1994 and listed to any stock exchange, tax shall be payable @ 10% on the whole amount of stock dividend declared or distributed in that income year.

Example 1: A Ltd., a listed company, has declared and distributed Tk. 5,00,000 of stock dividend and Tk. 500,000 of cash dividend. In this case no tax will be imposed as the stock dividend amount does not exceed the cash dividend amount.

Example 2: B Ltd., a listed company, has declared and distributed Tk. 4,00,000 of stock dividend and Tk. 600,000 of cash dividend. In this case no tax will be imposed, as the stock dividend amount does not exceed the cash dividend amount.

Example 3: C Ltd., a listed company, has declared and distributed Tk. 6,00,000 of stock dividend and Tk. 400,000 of cash dividend. In this case, 10% tax on stock dividend amount i.e. (Tk. 600,000 @ 10%) = Tk. 60,000 will be imposed as the stock dividend amount exceeds the cash dividend amount.

Example 4: D Ltd., a listed company, has declared and distributed Tk. 10,00,000 of stock dividend and no cash dividend. In this case, 10% tax on stock dividend amount i.e. (Tk. 10,00,000 @ 10%) = Tk. 1,00,000 will be imposed as the stock dividend amount exceeds the cash dividend amount.

SPECIAL TAX TREATMENT: INVESTMENT OR VOLUNTARY DISCLOSURE OF INCOME [SECTION 24 & SCHEDULE 1]

Source of any sum invested by any person, shall be deemed to have been explained if the assessee pays, before the assessment for the relevant assessment year in which the investment is completed, tax at the rate specified in Schedule 1 of the ITA, 2023. In applicable cases, such provision will also be applicable in case of voluntary disclosure of income. Schedule 1 of the ITA, 2023 specified the following special tax treatments:

Special Treatment for investment in building or apartments [Sch 1, Part II]

Notwithstanding anything contained in this Act, source of any sum invested by any person, in the construction or purchase of any building or apartment, shall be deemed to have been explained if the assessee pays, before the assessment for the relevant assessment year in which the investment is completed, tax at the following rate:

Area where the Building & Apartment is situated	Plinth area 200 sq. meter	
	Does not exceed	Exceeds
Gulshan Model Town, Bannari, Barhara, Moulibhel commercial area (C/A) and Dikusha C/A of Dhaka	Tk. 4,000 per square meter	Tk. 6,000 per square meter
Dhaka: Dhamondi Residential Area (R/A), Defence Officers Housing Society (DOHS), Lalmaia Housing Society, Mohakkhali, Uttara Model Town, Bashundhara R/A, Dhaka Cantonment, Siddheswari, Karwan Bazar, Bonosri, Bijoynagar, Wari, Segunbagicha, Nikunja, Chittagong: Panchlaish, Khulshi, Agrabad and Nasirabad	Tk. 3,000 per square meter	Tk. 3,500 per square meter

Plinth area (square meter)	Tax rate per square meter		
	≤ 120	> 120 but ≤ 200	> 200
In any City Corporation other than areas mentioned in above two clauses	Tk. 800	Tk. 1,000	Tk. 1,500
In a Paurasabha of any district headquarters	Tk. 300	Tk. 500	Tk. 800
In any area other than above four clauses	Tk. 200	Tk. 300	Tk. 500

Notes:

- The rate mentioned above shall be 20% higher in case where the assessee already owns a building or apartment in any City Corporation before such investment is completed; or the assessee makes such investment in two or more buildings or apartments.
- The rate mentioned above shall be 100% higher in case where the structure, building or floor space is constructed for commercial purpose.
- The above-mentioned tax rate shall be 150% higher in case, where-
 - a notice under section 212 has been issued before submission of such return of income for the reason that any income, asset or expenditure has been concealed or any income or a part thereof has escaped assessment;
 - a notice under sec 172 has been issued before submission of such return;
 - any proceeding under sections 311-313 has been initiated before submission of such return of income;
 - any proceeding under section 200 has been initiated and is continuing;
 - any proceeding against tax evasion is in continuation under this act.
- The above provision of shall not apply where the source of such investment is: (a) Derived from any criminal activities or (b) Not derived from any legitimate source.

Special Tax Treatment for voluntary disclosure of incomes [Sch 1, Part 2]

Notwithstanding anything contained in ITA, 2023 any person who has not been assessed to tax for previous assessment year or years and he has not submitted return of income for those year or years, may disclose such income in the respective heads of income in his return of income along with the income for the current assessment year. Moreover, this provision will also be applicable for any income that has escaped assessment in those assessment year or years or where the amount of income assessed is less than the actual income.

Return of income mentioned in above section shall be treated as valid, if –

- ☐ the assessee pays before the submission of return-
 - tax payable at applicable rate on total income including such income under respective heads of income; and
 - penalty at the rate of ten percent of tax proportionate to such income under respective heads of income;
- ☐ the return of income is submitted within the time specified in section 171; and
- ☐ a declaration is enclosed with the return of income in respect of the following:

name of the person declaring; head of the declared income and amount thereof; and amount of tax and penalty paid thereof.

The provision of this section shall not apply where-

- ☐ a notice under section 212 has been issued before submission of such return of income for the reason that any income, assets or expenditure has been concealed or any income or a part thereof has escaped assessment;
- ☐ a notice on a banking company under clause (2) of section 200 has been issued before submission of such return of income;
- ☐ any proceeding u/s 311-313 has been initiated before return submission;
- ☐ any income declared under this section is-
 - not derived from any legitimate source of income; or
 - derived from any criminal activities under any other law in force; or
- ☐ any income declared under this section which is exempted from tax in the concerned income year.

The income shown under this section may be invested in any income generating activities or any sector including the following:

- ☐ industrial undertaking including its expansion;
- ☐ balancing, modernization, renovation and extension of an existing industry;
- ☐ building or apartment or land;
- ☐ securities listed with a Stock Exchange in Bangladesh; or
- ☐ any trade, commercial, or industrial venture in production of goods or services.

Special Tax Treatment for Voluntary Disclosure of Assets [Sch 1, Part 3]

Notwithstanding anything contained in ITA, 2023 any person who has not shown assets in his return, may disclose such assets in his return of income and the source of

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such assets shall be deemed to have been explained if the assessee pays, before the submission of regular/corrected income tax return in the assessment year 2024-2025, tax per square meter at the following rates on (a) ESMT: establishment, house, flat, apartment or floor space (b) Land.

Area	ESMT	LAND
All mauja under Gulshan, Banani, Morijnheel, Tejgaon, Dhamondi, Wari, Tejgaon Industrial, Shaibag, Ramna, Pallan, Kafur, New Market, and Kalabagan Police Station in Dhaka District.	Tk. 6,000	Tk. 15,000
All mauja under the following police stations- Dhaka: Bongshal, Mohammadpur, Sutrapur, Jarrabari, Uttara Model, Cantonment, Chwakhazrar, Korwali, Lalbag, Khilgaon, Shampur, Shahjahanpur, Mirpur Model, Darus Salam, Dakshin Khan, Uttar Khan, Turag, Shah Ali, Sabulbag, Kadamoli, Kamrangirchar, Hazaribag, Demra, Adabor, Gendaria, Krikhet, Airport, Uttara West, Magda, Rupnagar, Vashanek, Badda, Pallahi, and Vatara. Chittagong: Khulshiti, Panchalaish, Paharrol. Halsishahar, and Korwali. Narayanganj: Sadar, Sonargaon, Fautlah, Siddiganj, and Bandar. Gajipur: Sadar	Tk. 3,500	Tk. 10,000
All mauja under- Dhaka: Dohar, Nababganj, Keraniganj, Savar, and Dhamrai. Chittagong: Akbar, Shah, EPZ, Karanapuli, Chwakhazrar, Chandgaon, Doublemooring, Potenga, Bandar, Bakira, Baecid Bostani and Sadarbagh. Gajipur: Joydebpur, Kaliganj, Bason, Konbari, Gachia, Tongi East, and Tongi West. Narayanganj: Rungganj and Arahazur Upazila.	Tk. 1,500	Tk. 3,000
other than areas mentioned in above three (1 – 3) clauses and in other City Corporation (except Dhaka South, Dhaka North, Chattogram, Narayanganj, Gajipur), other Development Authority, and Paurasabha of any district headquarters.	Tk. 1,000	Tk. 2,000
In a Paurasabha not included under the areas mentioned in the above clauses 1 to 4.	Tk. 850	Tk. 1,000
Mauja under any area mentioned other than above five clauses	Tk. 500	Tk. 300

Notes:

- Undisclosed assets of 2022-2023 and preceding years can be disclosed;
- Such asset has to be shown in the Statement of Assets of 2024-2025 or in the Statement of Assets and Liabilities submitted with the return, in applicable cases;
- The rate mentioned above shall be 100% higher in case where the structure, building or floor space is constructed for commercial purpose;
- Tax paid under this para shall be deducted from the net assets in the assessment year of 2024-2025, based on applicability.
- In case of Establishment, house, flat, apartment or floor space, tax is to be paid separately for the structure and land;
- The tax must be paid through Challan;
- No additional amount of fine or surcharge or any other amount would be included in this case and shall not be included with the tax amount computed under Section 174;
- No depreciation or amortization under Schedule 3 shall be claimed against such disclosed asset;
- The above provision shall not apply, where-
 - any proceeding against tax evasion is in continuation under this act;
 - any proceeding under section 200 has been initiated and is continuing;
 - any proceeding under criminal offence is in continuation under this act or any other act.

2.16 RATES OF INCOME TAX IN CERTAIN SPECIAL CASES UNDER THE SEVENTH SCHEDULE (NON-RESIDENT FOREIGNER, CAPITAL GAIN & WINNINGS)

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- **Tax rates in respect of Capital Gains:** Income tax shall be charged on capital gains at the rates specified in the Seventh Schedule of the ITA, 2023 (SRO 383-Law/IT-52/2024 dated Nov 04, 2024). The provisions are as follows:
 - In the case of a company, fund and trust-
 - Tax at the rate of 15% on the amount of the capital gain;
 - In case of a person other than a company, fund or trust, capital gain arising from the trading of listed securities in stock exchanges – tax at the of 15%.
 - In case of a person other than a company, fund or trust, where the said income arises as a result of disposal by the assessee of his capital assets (other than the trading of listed securities in the stock exchanges)-
 - after not more than five years from the date of their acquisition by him, tax is payable on the total income including the said income; and
 - after five years from the date of their acquisition by him, tax payable on the capital gains at the rate of *fifteen per cent* (15%) on the total income.
- **Tax rate for income from dividend:** If the total income of an assessee includes any income by way of "dividend" referred to in section 2(81), the tax payable on such income shall be-
 - In the case of a company, 20% (twenty percent); and
 - In the case of a person other than a company, the rate applicable on the total income of such person.

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- **Tax rate for income from Winnings etc.:** If the total income of an assessee includes any income by way of winning from lotteries, crossword puzzles, card games, online games, and other games of any sort under the head "Income from other sources", the tax payable by him on the said income shall be at the rate of *twenty five percent*.

- **Tax rate for companies that are not bound to submit the income tax return under section 166(2):** Twenty percent tax is applicable on gross receipt, according to the guidelines issued by the board. Provided that,
 - (1) The following incomes will not be included in the receipt, namely:-
 - (a) Any tax free income;
 - (b) Any gift or donation;
 - (c) Any kind of tax, rates or duty.
 - (2) This provision is not applicable on companies that have no permanent establishment in Bangladesh.

Example 1: Chris Gayle, a West Indies Cricketer, has stayed in Bangladesh from March 01, 2024, to April 30, 2024, to play in BPL. His total contract amount was Tk. 1 crore for the season. In this case, since he stayed only 61 days in Bangladesh during FY 2023-2024, he is a non-resident foreigner. So, his tax liability will be @ 30% of Tk. 1 crore (i.e., Tk. 30,00,000).

Example 2: ACI Ltd.'s total income is Tk. 500,000 (inclusive of Tk. 50,000 capital gain) for the current income year. ACI's tax liability assuming 20% company tax rate is: tax on income other than capital gain (Tk. 450,000 @ 20%) = Tk. 90,000 plus tax on capital gain (Tk. 50,000 @ 15%) = Tk. 7,500. Total tax liability is (Tk. 90,000 + Tk. 7,500) = Tk. 97,500.

Example 3: Mr. Tanvir's total income is Tk. 800,000 (inclusive of Tk. 50,000 capital gain) for the current income year. If disposal of capital assets has been done within 5 years of acquisition, His tax liability is – on first Tk. 350,000 @ 0% (i.e., nil), on next Tk. 100,000 @ 5% (i.e., Tk. 5,000), on next Tk. 300,000 @ 10% (i.e., Tk. 30,000) and on the rest Tk. 50,000 @ 15% (i.e., Tk. 7,500). Total tax liability on total income is (Tk. 5,000 + Tk. 30,000 + Tk. 7,500) = Tk. 42,500.

Example 4: Mr. Abrar's total income is Tk. 18,00,000 (inclusive of Tk. 250,000 capital gain) for the current income year. If disposal of capital assets has been done after 5 years of acquisition, what will be his gross tax liability?

Gross Tax liability:
On first Tk. 350,000 @ 0% + On next Tk. 100,000 @ 5% + On next Tk. 400,000 @ 10% + On next Tk. 500,000 @ 15% + On next Tk. 200,000 @ 20% + On capital gain Tk. 250,000 @ 15% = Tk. Nil + Tk. 5,000 + Tk. 40,000 + Tk. 37,500 + Tk. 37,500 = Tk. 119,500.

Example 5: Mr. Mahbub has won the 1st prize of the Bangladesh Diabetic Society Lottery which is Tk. 500,000. In this case, 25% tax will be imposed on this prize from the lottery of Bangladesh Diabetic Society, i.e., Tk. 125,000. So, Mr. Mahbub will receive the after-tax amount of Tk. 375,000.

Example 6: Dhaka Tobacco Ltd.'s total income is Tk. 500,000 (inclusive of Tk. 60,000 capital gain and Tk. 40,000 dividend income) for the current income year. The company's tax liability assuming 45% company tax rate is: tax on income other than capital gain and dividend (Tk. 400,000 @ 45%) = Tk. 180,000 plus tax on capital gain (Tk. 60,000 @ 15%) = Tk. 9,000 plus tax on dividend (Tk. 40,000 @ 20%) = Tk. 8,000. Total tax liability is (Tk. 180,000 + Tk. 9,000 + Tk. 8,000) = Tk. 197,000. Total tax payable in the year = Tk. 197,000.

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Example 2: Mr. Akbar's total income is Tk. 18,00,000 (inclusive of Tk. 250,000 capital gain from the trading of securities in the stock exchanges) for the current income year, what will be his gross tax liability?

Solution: Gross Tax liability = Tk. 18,00,000 @ 5% + On next Tk. 400,000 @ 10% + On next Tk. 350,000 @ 15% + On next Tk. 200,000 @ 20% + On stock market capital gain Tk. 250,000 @ 15% = Tk. Nil + Tk. 5,000 + Tk. 40,000 + Tk. 75,000 + Tk. 37,500 = Tk. 197,500

2.17CLO
25**REDUCED TAX RATE ON CERTAIN AGRO-BASED/ AGRICULTURAL INCOMES**

❑ **Reduced tax rate on agro-firm incomes etc. [SRO No. 199-AIN/IT/2015 dated 01/07/2015]** Any income from production of pelleted poultry feed, production of pelleted feed for fish, shrimp & cattle, production of seeds, marketing of locally produced seeds, cattle farming, dairy farming, frog farming, horticulture, Silk tree plantation, Bee keeping, Silkworm farming, mushroom farming, floriculture is taxable at a reduced tax rate as follows:

Income :	On first Tk. 10 lac	On next Tk. 20 lac	For the rest of the amount
Tax Rate :	3%	10%	15%

❑ **Reduced tax rate on income from Poultry Farm, Poultry & fish hatchery, fisheries Farm [SRO No. 157-AIN/IT/2022 dated 01/06/2022]:**

Income :	On first Tk. 10 lac	On next Tk. 10 lac	For the rest of the amount
Tax Rate :	Nil	5%	10%

❑ **Full tax exemption for certain agro-based industries [SRO No. 164-AIN/IT/2021 dated 03/06/2021]:** Companies with minimum Tk. 1 crore investment, registered under the companies ACT 1994 and BIDA, established within July 01, 2021 to June, 30, 2030, engaged in fruit processing, vegetable processing, production of milk and dairy products, baby food production, and agricultural machineries production, will get full exemption from tax (condition applies) on such incomes for the first 10 years after the commercial operation.

2.18CLO
26**REDUCED RATE ON CERTAIN INDUSTRIAL COMPANIES**

❑ **Reduced tax rates applicable for textile sector from 2022-23 to 2024-25 [SRO No. 139-AIN/IT/2022 dated 01/06/2022]:** Companies of Bangladesh textiles sector, registered under the Company Act, 1994, engaged in spinning, yarn dyeing, finishing, coning, fabric manufacturing, fabric dyeing, printing or any other such industries will enjoy this benefit to pay income tax at a reduced rate of 15%, subject to compliance with some conditions.

❑ **Reduced tax rates applicable for jute sector from 2023-24 to 2025-26 [SRO No. 304-AIN/IT-18/2023 dated 05.11.2023]:** Any company, engaged in the production of jute made goods will enjoy this benefit to pay income tax at a reduced rate of 10%, subject to compliance with some conditions. In case of Person other than company, the highest tax rate will be 10%.

❑ **Special tax rate for ship making industry for 12 years effective from the date of the issuance of SRO [SRO No. 132-AIN/IT/2013 dated 28.05.2013]:** Publicly traded ship making company 5% and non-publicly traded ship making company 10%, only on income earned from export business, subject to fulfillment of some conditions specified in the SRO.

❑ **Special tax rate for organizations engaged in production of freezer, refrigerator, motorcycle, air conditioner and compressors (including parts) upto June 30, 2032 [SRO No. 325-AIN/IT/2021 dated 19.10.2021; SRO No. 246-AIN/IT-40/2024 dated 27.06.2024]:** 10% from production start date, subject to fulfillment of some conditions specified in the SRO.

❑ **Special tax treatment for income of companies formed under Bangladesh Public-Private Partnership Act - 2015 (PPP Companies) [SRO No. 208, 209 & 210-AIN/IT/2017 dated 21.06.2017]:** Under these SROs the beneficiary PPP Projects are, National Highways or Expressways, River Bridges, Tunnels, River Port, Sea Port, Airport, Subway, Monorail, Railway, Bus Terminals, Bus Depots and Elderly Care Home. The SROs are effective from 1st July, 2017.

Following incomes of the certain PPP Project Companies will be exempted from income tax for ten (10) years effective from day of commencement of its operation subject to the fulfillment of certain conditions:

- Income from Business – 100%
- Capital gain from transfer of raised share capital, and
- Royalty, Technical know-how/Assistance Fee paid for the project operation.

The foreign technicians will also avail 50% tax exemption for three (3) years after the expiry of 5 years of its operation subject to fulfillment of certain conditions while submitting income tax return.

❑ **Tax rate applicable for Private Power Generation Companies: Private Power Generation Companies (Except Coal Based Electricity Generation Company) Starting operation within June 30, 2024 [SRO No. 194-AIN/IT/2023 dated 19.06.2023]** will enjoy tax exemption in case of:

- Income of the company from electricity generation business upto June 30, 2036, from the day of starting the operation.
- Income of foreign nationals working in such company, for 3 years from the day of their entry to Bangladesh.
- Due interest on foreign loans taken by the company.
- On payable amount of Royalties, Technical Know-how and Technical Assistance Fees by the company.
- Capital gain arisen from the transfer the company's shares.

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- ❑ *Special tax treatment for the manufacturers of computer accessories [SRO No. 163-A/N/IT 2021 dated 03.06.2021].* Under this SRO, the income of the manufacturers of computer accessories (motherboard, casing, UPS, speaker, sound system, power supply, USB cable, CCTV & pen drive) will be exempted from tax for the next 10 years from the date of starting the operation within June 30, 2030. This exemption will not be applicable for the income from other sources and heads. To avail this benefit, the manufacturer must ensure at least 30% value addition in own factory.
- ❑ *Special tax treatment for the new companies under light engineering sector [SRO No. 166-A/N/IT 2021 dated 03.06.2021].* Under this SRO, the income of the new companies under light engineering sector, registered under the Companies Act 1994 & BIDA, started commercial operation within July 01, 2021 to June 30, 2030, involved in the production of industrial machinery parts (not full machine), will be exempted from tax for the next 10 years from the date of starting the operation. This exemption will not be applicable for the income from other sources and heads.
- ❑ *Special tax treatment for the home appliances manufacturers [SRO No. 167-A/N/IT 2021 dated 03.06.2021].* Under this SRO, the income of the companies, registered under the companies ACT 1994 and BIDA, started manufacturing home appliances [washing machine, blender, microwave oven, electric sewing machine, induction cooker, kitchen hood, and kitchen knives] within July 01, 2021 to June 30, 2030, will be exempted from tax for the next 10 years from the date of starting the operation. This exemption will not be applicable for the income from other sources and heads. To avail this benefit, the manufacturer must ensure at least 30% value addition in own factory.
- ❑ *Special tax treatment for the automobile (three wheelers & four wheelers) manufacturers [SRO No. 170-A/N/IT 2021 dated 03.06.2021].* Under this SRO, the income of the companies, registered under the Companies Act 1994 & BIDA with minimum 100 crore taka investment, started manufacturing automobile [three wheelers & four wheelers] within June 30, 2030, will be exempted from tax for the first 10 years from the date of starting the operation. Moreover, 10% reduced tax rate will be applicable after the full exemption of first 10 years subject to the fulfillment of certain conditions. This exemption will not be applicable for the income from other sources and heads. To avail this benefit, the manufacturer must ensure at least 30% and 40% value addition in own factory for the first 10 years and next 10 years. After the first five years, the company has to assemble engine, transmission system, and steering system in the own factory.
- ❑ *Special tax treatment for new hospitals [SRO No. 169-A/N/IT 2021 dated 03.06.2021].* Under this SRO, the income of the hospitals, registered under the Companies Act 1994 and BIDA, started commercial operation within July 01, 2021, to June 30, 2030, will be exempted from tax for the first 10 years from the date of starting the operation subject to the fulfillment of certain conditions. Some of the conditions are:

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- The hospital must be situated outside of Dhaka, Narayanganj, Gazipur, and Chattogram districts.
- The exemption will not be applicable for the income from other sources and heads. Only income from medical and diagnostic services will avail the exemption benefit.
- The exemption will be applicable for the following categories of hospitals:
 - Category A**
 - Should be at least 250 bed hospital with separate child/pediatric, women & maternity, oncology, and wellbeing & preventive medicine unit;
 - Must be operated by closed staffs (including doctors);
 - Must have minimum 5% ICU.

Category B

- Should be minimum 200 bed specialized hospital;
- Must be operated by closed staffs (including doctors).

- **Special tax treatment for educational training providers for Human Resource Development** [SRO No. 168-AIN/IT/2021 dated 03.06.2021]: Under this SRO, the income of the educational training providers, registered under the Companies Act 1994 and BIDA with minimum 5 crore taka investment, will be exempted from tax for the first 10 years from the date of approval subject to the fulfillment of certain conditions. Some of the conditions are:
 - It must be approved by Bangladesh Technical Education Board, Directorate General of Health Services, or Bangladesh Nursing & Midwifery Council, as the case may be. It must follow approved curriculum including the National Skill Development Policy.

- It must have permanent teacher, trainer, infrastructure & active lab/workshop
- The exemption will not be applicable for income from other sources & heads
- The following categories of educational training providers are eligible to get the approval for exemption under this SRO:
 - All the Diploma degrees and Vocational education on Agriculture, Fisheries, Science and IT;

- Professional Training on Automobile, Aircraft Maintenance, Food, Footwear, Glass, Mining, Mechanical, Ship Building, Leather, Refrigeration, Ceramics, Mechanist, Garments Design & Pattern Making, Pharmacy, Nursing, Integrated Medical, Radiology & Imaging, Ultrasound, Dental, Animal Health & Production Service, Clothing & Garment Finishing, Poultry Farming.

2.19

CLO 2.6

SPECIAL TAX EXEMPTION FOR COMPANIES IN THE ECONOMIC ZONES OR HI-TECH PARKS

- **Special tax exemption for companies in Economic Zones** [SRO 244-AIN/IT-38/2024 dated 27.06.24]: Companies established in government declared economic zones under Bangladesh Economic Zone Act, 2010 (Act no 42 of

2010), will enjoy exemption from paying income tax for 10 years as per following rates [SRO 226-AIN/IT/2015 dated 08.07.15; SRO 228-AIN/IT/2015 dated 08.07.15]:

Year	1, 2 & 3	4	5	6	7	8	9	10
Rate	100%	80%	70%	60%	50%	40%	30%	20%

To enjoy such exemption, the companies must → Take TIN: → Maintain proper accounts w/s 35; and → Have to submit income tax return timely w/s 75.

- **Special tax exemption for companies in Hi-Tech Park** [SRO 245-AIN/IT-30/2024 dated 27.06.24]: Companies established in government declared hi-tech park under Bangladesh Hi-Tech Park Authority Act, 2010 (Act no 8 of 2010), will enjoy exemption from paying income tax for 10 years as per following rates:

Year	1 to 7	8 to 10
Rate of exemption	100%	70%

- **Special tax exemption for developers of Economic Zones and Hi-Tech Park** [SRO 227-AIN/IT/2015 dated 08.07.15; SRO 229-AIN/IT/2015 dated 08.07.15]: Developer companies appointed to develop government declared economic zones under Bangladesh Economic Zone Act, 2010 (Act no 42 of 2010) & government declared hi-tech park under Bangladesh Hi-Tech Park Authority Act, 2010 (Act no 8 of 2010), will enjoy exemption from paying income tax for 12 years from the commencement of their business as per following rates [SRO 227-AIN/IT/2015 dated 08.07.15; SRO 229-AIN/IT/2015 dated 08.07.15]:

Year	1 to 10	11	12
Rate of exemption	100%	70%	30%

2.20

CLO 2.5, 2.6

REDUCED TAX RATE IN MISCELLANEOUS CASES

- **Tax rate applicable for national level Research Institute established under the Trust Act, 1882 or Societies Registration Act, 1860** [SRO No. 163-AIN/IT/2014 dated 26.06.2014]: 15% effective from 1st July 2014.
- **Reduced tax rate Asset Management Company's Mutual Fund Management Fee** [SRO No. 49-AIN/IT-26/2024 dated 13.03.2024]: 15% reduced tax rate shall be applicable on the income only earned from the Mutual Fund Management Fee by any Asset Management Company upto assessment year 2026-2027.

- **Reduced tax rate and exemption on income from export proceeds** [SRO No. 44-AIN/IT-23/2024 dated 04.03.2024]: 50% of the export proceeds will be exempted from tax for individual, firm, and HUF. For other assessee's the tax rate will be 12% on such income. If such income arises from LEED certified factories, If the assessee is fined for non-compliance of environmental regulations, a regular tax

rate will be applicable. All types of Transportation Service, Mobile Telecommunication Service, and Internet & Internet Related Service will be excluded from such benefits. This SRO is valid upto June 30, 2028.

- ☐ **Reduced tax rate and exemption on income earned by the RPF, AGF, ASF, and 4PF [SRO No. 156-41/V-IT-31/2024 dated 29.05.2024]:** 15% reduced tax rate shall be applicable on the income earned by the Recognized Provident Fund (RPF), Approved Gratuity Fund (AGF), Approved Superannuation Fund (ASF), and Approved Pension Fund.

TAXPAYER'S REGISTRATION [SECTIONS 261 - 265]

Who can register as an assessee? [Section 261]

- A person will register as an assessee, if he-
 - ☐ is a taxpayer;
 - ☐ is liable to submit income tax return under section 166;
 - ☐ is required to furnish a proof of submission of return under section 264;
 - ☐ is willing to pay income tax or submit income tax return.

Board will provide the registered assessee with a Taxpayer's Identification Number (TIN). Board may, by general or special order, direct any person who already holds a TIN to furnish specified information or documents. Here, it is to be provided that TIN may be issued without any application where any income tax authority has found a person who is supposed to be registered but has failed to do so before issuance of the said number.

Cancellation of Taxpayer's Registration [Section 262]

- An assessee may apply for the cancellation of his registration, if he -
 - ☐ is not required to furnish a proof of submission of return under section 264; and
 - ☐ does not fall within the scope of the definition of assessee u/s 2(22)
 - has zero taxable income for consecutive past three years and will have the same in future period due to physical inability or any other reason;
 - not liable to submit income tax return under section 166;
 - ☐ loses the existence due to death, liquidation, dissolution, or any other reason;
 - ☐ gets duplicate or wrong registration;
 - ☐ changes the legal status;
 - ☐ furnishes any other legal ground.

After receiving and evaluating the application for the cancellation, the income tax authority may cancel the registration, if they be certain that -

- ☐ the assessee has no due amount to be paid;
- ☐ no assessment is pending against the assessee;
- ☐ no income tax related dispute is pending in any forum;
- ☐ the reason specified for registration cancellation by the assessee is found valid.

The Board may, suo moto, cancel the registration of an assessee based on the following grounds:

- ☐ If there is ground to cancel the registration under section 262(1-2);
- ☐ If there is reason to believe that the assessee has no income from real or legal sources;
- ☐ The registration was done with an intention to be involved in economic crime or money laundering; or
- ☐ The information provided during the registration process was wrong or false.

The Board, as they think appropriate, may preserve the relevant information and records of the assessee, whose registration has been cancelled, for a particular period of time. It is provided that "Cancellation of Registration" means that the TIN becomes inactive, dormant, and useless for all; but not the deletion or eraser of the information already received against it.

Withholder Identification Number (WIN) [Section 263]

Any person who is required to deduct or collect taxes under Part 7 of the ITA, 2023 (i.e. TDS), shall have to take a Withholder Identification Number (WIN), based on prescribed conditions and methods set by the Board [Section 263 (1)]. Any person's failure to obtain the WIN, as mentioned in sub-section (1), will not be a barrier to take any proceedings against the said person. In case where having WIN is mandatory but the person failed to obtain it, Board may issue a temporary WIN to that person based on prescribed methods. [Section 263 (2-3)]

Requirement of Proof of Submission of Return [Section 264]

- ☐ Requirement of Proof of Submission of Return in certain cases are [Section 264]:
 - ☐ Notwithstanding anything contained in this Act, a person shall be required to furnish a proof of submission of return in certain cases.
 - ☐ The proof of submission of return shall-
 - be an acknowledgment receipt of return prescribed by the Board; or
 - a system generated certificate containing name and Taxpayer's Identification Number (TIN) of the person and the year for which return has been submitted; or
 - a certificate issued by the Deputy Commissioner of Taxes containing the name and the 12-digit TIN of the person and the year for which return has been submitted.
- ☐ The proof of submission shall be furnished in the following cases [U/s 264]:
 - applying for a loan exceeding Taka 20 (twenty) lakh provided not to have any taxable income;
 - becoming a director or a sponsor shareholder of a company;
 - obtaining or continuing an import registration certificate or export registration certificate;
 - obtaining or renewal of a trade license in the area of a city corporation or paunshava;

- obtaining registration of co-operative society;
- Obtaining the issuance or renewal of license of or enlistment of a surveyor of general insurance;
- Obtaining registration, by a resident, of the deed of transfer, baynamana or power of attorney or selling of a land, building or an apartment situated within a city corporation or a paurashaha of a district headquarter or cantonment board, where the deed value exceeds ten lakh taka;
- Obtaining or maintaining a credit card;
- obtaining or continuing the membership of the professional body as a doctor, dentist, lawyer, chartered accountant, cost and management accountant, engineer, architect or surveyor or any other similar profession;
- Obtaining and retaining a license as a Nikah Registrar under the Muslim Marriages and Divorces (Registration) Act, 1974 (LII of 1974), Hindu Marriage Registrar under the Hindu Marriage Registration Act, 2012 (Act No. 40 of 2012), or Registrar under the Special Marriage Act, 1872 (Act No. III of 1872);
- Obtaining or maintaining the membership of any trade or professional body;
- Obtaining or renewal of a drug license, a fire license, environment clearance certificate, BSTI licenses and clearance;
- Obtaining or continuing commercial and industrial connection of gas in any area and obtaining or continuing residential connection of gas in city corporation area;
- Obtaining or continuing a survey certificate of any water vessel including launch steamer fishing trawler/cargo/coaster/dump-burge etc., plying for hire;
- Obtaining the permission or the renewal of permission for the manufacture of bricks by Deputy Commissioner's office in a district or Directorate of Environment, as the case may be;
- Obtaining the admission of a child or a dependent in an English medium school, situated in any city corporation, district headquarter or paurashaha;
- Obtaining or continuing the connection of electricity in a city corporation or cantonment board;
- Obtaining or continuing the agency or the distributorship of a company;
- Obtaining or continuing a license of arms;
- Opening a letter of credit for the purpose of import;
- Opening postal savings accounts of Taka exceeding five lakhs;
- Opening and continuing bank accounts of term deposits with credit balance exceeding Taka ten lakhs;
- Purchasing savings instruments (Sanchariyapatra) of Taka exceeding 5 lakhs;
- Participating in any election in upazilla, paurashaha, zilla parishad, city corporation or Jalpa Sangaad;
- Participates in a shared economic activity by providing motor vehicle, space, accommodation or any other assets;
- Receiving any payment which is an income of the payee classifiable under the head "Salaries" by any person employed in the management or administrative function or in any supervisory position in the production function;
- Receiving any payment which is an income of the payee classifiable under the head "Salaries" by an employee of the government or an authority, corporation, body or units of the government or formed by any law, order or instrument being in force;
- Receiving any commission, fee or other sum in relation to money transfer through mobile banking or other electronic means or in relation to the recharge of mobile phone account;
- Receiving any payment by a resident from a company against any advisory or consultancy service, catering service, event management service, supply of manpower or providing security service;
- Receiving any amount from the Government under the Monthly Payment Order (MPO) if the amount of payment exceeds Tk. 16,000 per month;
- Registration or renewal of agency certificate of an insurance company;
- Registration, change of ownership or renewal of fitness of a motor vehicle of any types excluding two and three wheeler;
- Releasing overseas grants to a non-government organization registered with NGO Affairs Bureau or to a Micro Credit Organization having licence with Micro Credit Regulatory Authority;
- Selling of any goods or services by any digital platforms to consumers in Bangladesh;
- Submitting application for the membership of a club registered under the Companies Act, 1994 and Societies Registration Act, 1860;
- Submitting tender documents by a resident for the purpose of supply of goods, execution of a contract or rendering a service;
- Receiving goods or services by any company or firm;
- Submitting a bill of entry for import into or export from Bangladesh;
- Submitting a plan for construction of building for the purpose of obtaining approval from Rajdhanī Unnayan Kartipakkha (Rajuk), Chittagong Development Authority (CDA), Khulna Development Authority (KDA), Rajshahi Development Authority (RDA), Gazipur Development Authority, Cox's Bazar Development Authority or other concerned authority, in any city corporation or paurashaha;
- Obtaining or renewal of the license of the Vendor of Stamp, Court Fee, and Carriage paper or Deed Writer;
- Opening and continuing bank accounts of Trust, Fund, Foundation, NGO, Microcredit Organization, Society, and Co-operative Society;
- House Owner's, at the time of taking rent or lease of the house by specified parties;
- Goods or Service Provider's, at the time of receiving goods or services;

- During obtaining and renewing licenses of hotels, restaurants, motels, hospitals, clinics, diagnostic centers;
- While availing services in Community Centre, Convention Hall or similar located in City Corporation Area.

□ The Board may, by a general or special order, exempt any person from furnishing proof of submission of return.

□ The person responsible for processing any application or nomination, approving any license, certificate, membership, permission, admission, agency or distributionship, sanctioning any loan, issuing any credit card, allowing connection or operation, executing registration or making any payment, as the case so process, approve, sanction, issue, allow, execute or make payment, as the case may be, unless the proof of submission of return is furnished as required under the provision of sub-section (1) or the person who is required to furnish the proof of submission of return provides a certificate from the Board that he is exempted from furnishing such proof.

□ The person to whom the proof of submission of return is furnished shall verify the authenticity of it in the manner as may be specified by the Board.

□ Where the person responsible for processing any application or nomination, or approving any license, certificate, membership, permission, admission, agency or distributionship, sanctioning any loan, issuing any credit card, allowing connection or operation, executing registration or making any payment, as the case may be, fails to comply with the relevant sub-sections, shall be deemed to be an assessee in default and be liable to pay a penalty not exceeding **Taka ten lakh** as imposed by the Deputy Commissioner of Taxes.

□ No penalty under this section shall be imposed upon a person without giving a reasonable opportunity of being heard.

□ A person not being an individual shall, instead of furnishing a proof of submission of return, furnish a system generated certificate containing name and Taxpayer's Identification Number (TTIN)-

- In the year of incorporation, registration or formation, as the case may be, under any law or instruments having the force of law; and
- In the year following the year of incorporation, registration or formation, as the case may be, under any law or instruments having the force of law.

Displaying of Proof of Submission of Return [Section 265]

An assessee having income from business shall display the proof of submission of return as defined in section 264 at a conspicuous place of such assessee's business premises. Failure to do so, a penalty of not less than Tk. 20,000 (twenty thousand) and not exceeding Tk. 50,000 (fifty thousand) as imposed by the Deputy Commissioner of Taxes empowered to this end.

EXHIBIT

Steps in Computing Income Tax for an Individual

The following steps are followed to calculate the income tax liability of an individual:

Step 1: Total income (TI) calculation

<i>If the individual is a resident</i>	<i>If the individual is a non-resident</i>
TI = Domestic income + Foreign income	Total Income = Domestic income

Step 2: Gross Tax Liability calculation using regular income tax rates for an individual

<i>Tax rates for resident & non-resident Bangladeshi</i>	<i>Tax rates for non-resident foreigner</i>
Regular rate i.e. 0%, 5%, 10%, 15%, 20% & 25% under different slabs [See - Section 2.9 of this chapter]	30%

Step 3: Deducting rebates from Gross tax liability to get Net tax liability

- Only resident and non-resident Bangladeshi individual assessee are eligible to get rebates. Non-resident foreigner assessee will not get any tax rebate.
- Resident and non-resident Bangladeshi assessee are eligible to get -

(a) 3% of Total Income excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable.	Lower one
(b) 15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3 [See Chapter 3]	
(c) Tk. 10,00,000	

(ii) Rebate on tax free income (i.e. share of profit in a partnership firm/association of persons, if tax has already paid by the firm/AOP) @ average rate.

$$\text{Average Rate} = (\text{Gross Tax} \div \text{Total Income}) \times 100$$

Step 4: Adding Surcharges (if any) with Net Tax Liability to get net tax liability & surcharge amount
Surcharges will be applicable on an individual assessee (resident and non-resident Bangladeshi) in following three cases:

- Surcharge for having net wealth of more than Tk. 4 crore @ applicable rates on net tax payable amount [See Section 2.7 for detail]
- 2.5% surcharge on income from tobacco goods mfg. business.
- Environmental Protection Surcharge for being the owner of multiple motor vehicles at specified rate [See Section 2.7 for detail]

Step 5: Deduction/adjustments of the items (if any) below to get net amount payable with income tax return.

- Advance tax
- Tax deducted at source (TDS) / Withholding tax
- Tax refund claim

SOLVED PRACTICAL CASES (SPC)

SPC
2.1

Mr. Ramit, a 50-year-old Bangladeshi citizen, lives in Dhaka. Calculate his income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 300 days
- Total Global Income Tk. 14,50,000 [domestic income Tk. 10,50,000; foreign income Tk. 400,000]
- Net wealth amount at the end of the income year: Tk. 2 crore
- He has made actual allowable investment of Tk. 250,000.
- TDS Tk. 20,000 & Tax refund claim Tk. 5,000.

Assessee: Mr. Ramit Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Tax computation and Payment

a. Gross tax before tax rebate (workings 1)	Tk. 140,000
b. Tax rebate (workings 2)	37,500
c. Net tax after tax rebate $[a - b]$	102,500
d. Surcharge (note)	-
e. Net tax liability and surcharge $[c + d]$	102,500
f. Tax deducted or collect at source	20,000
g. Adjustment of tax refund	5,000
h. Amount paid with return $[e - (f + g)]$	77,500

Workings 1: Computation of gross tax liability

	On first Tk.	On next Tk.	On next Tk.	On next Tk.	On next Tk.	Total (Tk.)
	350,000	100,000	400,000	500,000	100,000	1,450,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	-
Tax	-	5,000	40,000	75,000	20,000	140,000

Workings 2: Computation of tax rebate on investment

Eligible amount of tax rebate (lesser of A, B, and C) [i.e., Tk. 37,500]	A. 3% of total income (3% of Tk. 1,450,000)	Tk. 43,500
	B. 15% of actual investment (15% of Tk. 250,000)	Tk. 37,500
	C. Tk. 1,000,000	Tk. 1,000,000

Note: No surcharge is applicable since his net wealth amount is less than Tk. 3 crore.

SPC
2.2

Mrs. Selina, a 50-year-old Bangladeshi citizen, lives in Dhaka. Calculate her income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 200 days
- Total Global Income Tk. 1,80,000 [domestic income Tk. 1,50,000; foreign income Tk. 300,000]
- Net wealth amount at the end of the income year: Tk. 5 crore
- She has made actual allowable investment of Tk. 400,000.
- TDS Tk. 20,000 & Tax refund claim Tk. 5,000.

Assessee: Mrs. Selina

Assessment Year: 2024 - 2025

Income Year: 2023 - 2024

Tax computation and Payment

a. Gross tax before tax rebate (workings 1)	
b. Tax rebate (workings 2)	Tk. 200,000
c. Net tax after tax rebate $[a - b]$	54,000
d. Surcharge (note)	146,000
e. Net tax liability and surcharge $[c + d]$	14,600
f. Tax deducted or collect at source	160,600
g. Adjustment of tax refund	20,000
h. Amount paid with return $[e - (f + g)]$	5,000
	135,600

Workings 1: Computation of gross tax liability

	On first Tk.	On next Tk.	On next Tk.	On next Tk.	On next Tk.	Total (Tk.)
	400,000	100,000	400,000	500,000	400,000	1,800,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	-
Tax	-	5,000	40,000	75,000	80,000	200,000

Workings 2: Computation of tax rebate on investment

Eligible amount of tax rebate (lesser of A, B, and C) [i.e., Tk. 54,000]	A. 3% of total income (3% of Tk. 1,800,000)	Tk. 54,000
	B. 15% of investment all. (15% of Tk. 400,000)	Tk. 60,000
	C. Tk. 1,000,000	Tk. 1,000,000

Note: 10% surcharge on net tax liability of Tk. 146,000 = Tk. 14,600.

SPC
2.3

Mr. Bashir, a 70-year-old Bangladeshi citizen, lives in America. He is a registered taxpayer of DNCC. Calculate his income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 50 days
- Total Global Income Tk. 16,50,000 [domestic income Tk. 5,50,000; foreign income Tk. 11,00,000]
- Net wealth amount at the end of the income year: Tk. 11 crore
- He has made actual allowable investment of Tk. 120,000 in Bangladesh.
- TDS Tk. 1,000 & Tax refund claim Tk. 1,000.

Assessee: Mr. Bashir

Assessment Year: 2024 - 2025

Income Year: 2023 - 2024

Tax computation and Payment

a. Gross tax before tax rebate (workings 1)	Tk. 10,000
b. Tax rebate (workings 2)	16,500
c. Net tax after tax rebate $[a - b]$	(6,500)
d. Minimum tax	5,000
e. Surcharge (note 1)	1,000
f. Net tax liability and surcharge $[d + e]$	6,000

Bangladesh Income Tax - Theory and Practice

- g. Tax deducted or collect at source
h. Adjustment of tax refund
i. Amount paid with return $[f - (g + h)]$

1,000
1,000
4,000

Workings 1: Computation of gross tax liability

	On first Tk.	On next Tk.	Total (Tk.)
	400,000 (note 2)	100,000	500,000 (note 3)
Rate	@ 0%	@ 5%	@ 10%
Tax	-	5,000	10,000

Workings 2: Computation of tax rebate on investment

Eligible amount for rebate (lesser of A, B, and C) [i.e., Tk. 15,000]	A. 3% of total income (3% of Tk. 550,000)	Tk. 16,500
	B. 15% of investment all. (15% of Tk. 120,000)	Tk. 18,000
	C. Tk. 1,000,000	Tk. 1,000,000

Note: (1) 20% surcharge on net tax liability of Tk. 5,000 = Tk. 1,000 (2) Since he is a senior citizen (more than 65 years old), first Tk. 400,000 will be his non-assessable limit of income (3) Mr. Bashir is a non-resident Bangladeshi assessee. So, he will pay tax only on income earned inside Bangladesh @ regular rate. (4) The calculated net tax liability is less than the minimum tax, he must pay minimum Tk. 5,000 as tax as a registered taxpayer of DNCC.

SPC
2.4

Mr. Bashir, a 50-year-old disabled Bangladeshi citizen, lives in Rajshahi. Calculate his income tax liability for the current assessment year based on given information:

- Stayed in Bangladesh during the income year: 360 days
- Total Global Income Tk. 1,575,000 [domestic income Tk. 1,300,000 (house property income Tk. 700,000; income from catering business Tk. 300,000; capital gain from selling a capital asset within 5 years of acquisition Tk. 100,000; share of profit in a partnership firm Tk. 200,000); foreign income Tk. 275,000]
- Net wealth amount at the end of the income year: Tk. 22 crore
- He has made actual allowable investment of Tk. 400,000.
- Advance tax Tk. 25,000. TDS Tk. 10,000 & Tax refund claim Tk. 5,000.

Assessee: Mr. Bashir	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
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Tax computation and Payment

a. Gross tax before tax rebate (workings 1)	Tk. 140,000
b. Tax rebate: On allowable investment (workings 2)	47,250
c. Tax rebate: On share of profit in firm (note 1)	17,780
d. Net tax after tax rebate $[a - (b + c)]$	74,970
e. Surcharge (note 2)	22,491
f. Net tax liability and surcharge $[d + e]$	97,461
g. Advance tax	25,000
h. Tax deducted or collect at source	10,000
i. Adjustment of tax refund	5,000
j. Amount paid with return $[f - (g + h + i)]$	57,461

Chapter - 2 Basics of Income Tax

Workings 1: Computation of gross tax liability

	On first Tk.	On next Tk.	On next Tk.	On next Tk.	On next Tk.	Total (Tk.)
	475,000	100,000	400,000	500,000	100,000	1,575,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	-
Tax	-	5,000	40,000	75,000	20,000	140,000

Workings 2: Computation of tax rebate on investment

Eligible amount for rebate (lesser of A, B, and C) [i.e., Tk. 47,250]	A. 3% of total income (3% of Tk. 1,575,000)	Tk. 47,250
	B. 15% of investment all. (15% of Tk. 400,000)	Tk. 60,000
	C. Tk. 1,000,000	Tk. 1,000,000

Note: (1) Rebate on share of profit in a partnership firm @ average rate. Here, average rate = $(\text{Gross tax} \div \text{Total income}) \times 100 = (140,000 \div 1,575,000) \times 100 = 8.89\%$. Rebate on share of profit in a partnership firm = $(\text{Tk. } 200,000 \times 8.89\%) = \text{Tk. } 17,780$ (2) 30% surcharge on net tax liability of Tk. 74,970 = Tk. 22,491 (3) For capital gain, separate rate of tax is not required as the capital asset has been sold within five years of acquisition.

SPC
2.5

Mr. Belal, a 50-year-old Bangladeshi citizen, lives in Coxsbazar. Calculate his income tax liability for the current assessment year based on the given information:

- Stayed in Bangladesh during the income year: 260 days
- Total Global Income Tk. 5,550,000 [Domestic Tk. 50 lac & foreign Tk. 5.50 lac]
- Domestic income includes:
 - house property income Tk. 3,000,000;
 - income from merchandising business Tk. 500,000;
 - capital gain disposing a capital asset after 5 years of purchase Tk. 1,000,000;
 - share of profit in a partnership firm Tk. 500,000
- Net wealth at the end of the income year: Tk. 52 crore
- He has made allowable investment of Tk. 1,500,000.
- He is the owner of 2 motor cars (1500 cc & 1800 cc)
- Advance tax Tk. 35,000. TDS Tk. 100,000 & Tax refund claim Tk. 50,000.
- He is a father of two disable handicapped children.

Assessee: Mr. Belal	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
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Tax computation and Payment

a. Gross tax before tax rebate (workings 1)	Tk. 1,020,000
b. Tax rebate: On allowable investment (workings 2)	136,500
c. Tax rebate: On share of profit in firm (note 3)	91,900
d. Net tax after tax rebate $[a - (b + c)]$	791,600
e. Surcharge (note 4)	277,060
f. Environmental Protection Surcharge (note 5)	50,000
g. Net tax liability and surcharge $[d + e + f]$	1,118,660
h. Advance tax	35,000
i. Tax deducted or collect at source	100,000
j. Adjustment of tax refund	50,000
k. Amount paid with return $[g - (h + i + j)]$	933,660

Bangladesh Income Tax - Theory and Practice

Workings 1: Computation of gross tax liability

On first Tk.	On next Tk.	On cap. gain	On total Tk.
450,000 (Note 1)	100,000 400,000 500,000 500,000 2,600,000	Tk. 1,000,000	5,550,000
@ 0%	@ 5% @ 10% @ 15% @ 20% @ 25%	@ 15%	
	5,000 40,000 75,000 100,000 650,000	150,000	1,020,000

Workings 2: Computation of tax rebate on investment

Eligible amount of rebate (lesser of A, B, and C) [i.e., Tk. 136,500]	A. 3% of total income* (3% of Tk. 4,550,000)	Tk. 136,500
	B. 15% of investment all. (15% of Tk. 1,500,000)	Tk. 225,000
	C. Tk. 1,000,000	Tk. 1,000,000

Note: (1) Mr. Belal is a resident assessee. His minimum non-assessable income limit as the parent of disabled child is Tk. 50,000 more for each child i.e., $[350,000 + (50,000 \times 2)] = \text{Tk. } 450,000$ (2) Since, capital asset is sold after 5 years of acquisition, tax rate on capital gain will be 15%. (3) Rebate on share of firm profit @ average rate. Here, average rate $(1,020,000 \div 5,550,000) \times 100 = 18.38\%$. So, rebate = $(\text{Tk. } 500,000 @ 18.38\%) = \text{Tk. } 91,900$ (4) For net wealth, 35% surcharge on net tax liability $791,600 \times 35\% = 277,060$ (5) Environmental Protection Surcharge on higher capacity motor vehicle is Tk. 50,000.

SPC
2.6

Mr. Tarif, a 75-year-old Bangladeshi citizen, lives in Rajshahi. Calculate his income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 360 days
- Total Global Income Tk. 1,600,000 [domestic income Tk. 1,300,000 (house property income Tk. 700,000; income from tobacco manufacturing business Tk. 300,000; share of firm profit Tk. 300,000); foreign income Tk. 300,000]
- Net wealth at the end of the income year: Tk. 30 crore
- He has made actual allowable investment of Tk. 400,000.
- Advance tax Tk. 25,000, TDS Tk. 10,000 & Tax refund claim Tk. 5,000.
- He is a gazetted wounded freedom fighter.

Assessee: Mr. Tarif	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
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Tax computation and Payment

a. Gross tax before tax rebate (workings 1)	Tk. 225,000
b. Tax rebate: On allowable investment (workings 2)	48,000
c. Tax rebate: On share of profit in firm (note 1)	42,180
d. Net tax after tax rebate $[a - (b + c)]$	134,820
e. Surcharge for net wealth (note 2)	40,446
f. Surcharge on tobacco business income (note 3)	7,500
g. Net tax liability and surcharge $[d + e + f]$	182,766
h. Advance tax	25,000
i. Tax deducted or collect at source	10,000
j. Adjustment of tax refund	5,000
k. Amount paid with return $[g - (h + i + j)]$	142,766

Chapter - 2 Basics of Income Tax

Workings 1: Computation of gross tax liability

	On first Tk.	On next Tk.	On tobacco income	On total Tk.
	500,000	100,000 400,000 300,000	Tk. 300,000	1,600,000
Rate	@ 0%	@ 5% @ 10% @ 15%	@ 45%	
Tax	-	5,000 40,000 45,000	135,000	225,000

Workings 2: Computation of tax rebate on investment

Eligible amount of rebate (lesser of A, B, and C) [i.e., Tk. 48,000]	A. 3% of total income (3% of Tk. 1,600,000)	Tk. 48,000
	B. 15% of investment all. (15% of Tk. 400,000)	Tk. 60,000
	C. Tk. 10,00,000	Tk. 10,00,000

Note: (1) Rebate on share of profit in a partnership firm @ average rate. Here, average rate = $(225,000 \div 1,600,000) \times 100 = 14.06\%$. So, rebate on firm profit = $(\text{Tk. } 300,000 @ 14.06\%) = \text{Tk. } 42,180$ (2) Surcharge for net wealth: 30% surcharge on net tax liability of Tk. 134,820 = Tk. 40,446 (3) 2.5% additional surcharge is applicable on tobacco business income. Thus, surcharge for tobacco business income: $2.5\% \text{ of Tk. } 300,000 = \text{Tk. } 7,500$

SPC
2.7

Mx. Doel, a 40-year-old Bangladeshi third gender citizen, lives in Dhaka. Calculate his tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 365 days
- Total Global Income Tk. 8,75,000 [domestic income Tk. 8,75,000; foreign income - nil]
- Net wealth at the end of the income year: Tk. 50 lac
- Actual allowable investment made during the income year of Tk. 200,000.
- TDS Tk. 10,000.

Assessee: Mx. Doel	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
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Tax computation and Payment

a. Gross tax before tax rebate (workings 1)	Tk. 35,000
b. Tax rebate (workings 2)	26,250
c. Net tax after tax rebate $[a - b]$	8,750
d. Surcharge for net wealth (note)	8,750
e. Net tax liability and surcharge $[c + d]$	10,000
f. Tax deducted or collect at source	(1,250)
g. Amount paid with return $[e - f]$ (Refund claim)	

Workings 1: Computation of gross tax liability

	Rate	Taka
On first Tk. 475,000	0%	Nil
On next Tk. 100,000	5%	5,000
On next Tk. 300,000	10%	30,000
On Tk. 8,75,000 G. Tax Liability		35,000

Workings 2: Computation of investment tax rebate

	A. 3% of TI (3% of Tk. 875,000)	Tk. 26,250
	B. 15% of Inv (15% of Tk. 200,000)	30,000
	C. 10,00,000	10,00,000
Eligible rebate [lower of A, B, C]		26,250

Note: No surcharge since his net wealth amount is less than Tk. 4 crore.



Chris Gayle, a cricketer from West Indies, came to Bangladesh for playing in BPL. He stayed in Bangladesh for two months (March & April) of the income year. Calculate his income tax liability for the current assessment year based on the following information:

- Stayed in Bangladesh during the income year: 61 days
- Total Global Income Tk. 120,000,000
- Income earned in Bangladesh Tk. 20,000,000;
- Income earned outside Bangladesh Tk. 100,000,000
- Net wealth at the end of the income year: Tk. 160 crore
- He has made investment of Tk. 10,00,000 in Bangladesh Stock Market.

Assessee: Chris Gayle	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
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Since none of the conditions are fulfilled, Chris Gayle is a non-resident foreigner assessee. So, he will pay tax only for the income earned inside Bangladesh @ 30%. Moreover, he is also not eligible for any kind of tax rebates.

So, the tax liability of Chris Gayle = 30% of Tk. 20,000,000
= Tk. 6,000,000

KEY POINTS

- ❑ An assessee has to pay tax on total income earned in the income year.
- ❑ Rate of income tax is determined by the government through the Finance Act.
- ❑ Residential status of an assessee is determined on the basis of his stay in the income year in Bangladesh, not in the assessment year.
- ❑ The tax liability of the total income earned in an income year is computed on the basis of the income tax rates applicable in the assessment year.
- ❑ Generally, income year is the financial year immediately preceding the assessment year; and assessment year is the subsequent year of the income year except some exceptions.
- ❑ Assessee is a person who is liable to pay any sum under the Income Tax Act, 2023 or in respect of whom the proceedings have been initiated under this Act.
- ❑ Determination of residential status has nothing to do with either the citizenship or domicile of a person.
- ❑ NBR can issue certain circulars (SRO) regarding income tax as and when necessary.
- ❑ A resident and non-resident Bangladeshi assessee get income tax rebate on investment allowance and on tax exempted income from gross tax liability. But, for a non-resident foreigner no tax rebate is applicable.
- ❑ A non-resident assessee (other than Bangladeshi non-resident / foreigner) is liable to tax on his total income @ 30%.

MULTIPLE CHOICE QUESTIONS

1. If the assessment year is 2024 – 25, the income year is –
(a) 2020 – 2021 (b) 2023 – 2024 (c) 2022 – 2023 (d) decided by NBR
2. If the assessment year is 2024 – 25 and the assessee maintains his accounting record for the year ending on 30th June 2024 the income year will be ending on –
(a) 31.12.22 (b) 30.06.23 (c) 31.12.23 (d) 30.06.24
3. Assessment year and Income year is same for –
(a) discontinued business (b) persons leaving Bangladesh
(c) non-resident shipping companies (d) all of these
4. Which of the following statement is false?
(a) Residential status may differ from year to year
(b) Residential status will not depend on the citizenship of the assessee
(c) Burden of proving the residential status lies with the assessee
(d) Residential status is always determined by the number of days assessee stayed in the country in the assessment year
5. Which of the following issues can have different effect for a resident and non-resident Bangladeshi assessee?
(a) Determination of total income (b) Minimum limit of taxable income
(c) Rate of tax (d) Income tax rebate

Assess the residential status of the following assessee for the current income year.

6. A Bangladeshi was outside Bangladesh from 25th October 2018. He visited Bangladesh during the income year 2023-24 on 6th December and stayed for three and a half months.
(a) Resident (b) Non – resident Bangladeshi (c) Non – resident foreigner
7. A foreigner visits Bangladesh for a consultancy contract and resides Bangladesh during the period 27th October to 15th February and 8th April to 20th June of the income year 2023-24.
(a) Resident (b) Non – resident Bangladeshi (c) Non – resident foreigner
8. A foreigner visits Bangladesh for 5 months during the income year 2023 – 2024 and also he was in Bangladesh for a full year in the income year 2018 – 2019.
(a) Resident (b) Non – resident Bangladeshi (c) Non – resident foreigner
9. A Bangladeshi was outside BD from 15th September to 1st June of the income year 2023-24.
(a) Resident (b) Non – resident Bangladeshi (c) Non – resident foreigner
10. A Bangladeshi was outside Bangladesh for 9 months during the income year 2023-24.
(a) Resident (b) Non – resident Bangladeshi (c) Non – resident foreigner

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Residential status will not depend on the citizenship of the assessee.
2. Income year can be same as assessment year.
3. If an individual fails to stay 183 days in the income year, he will be considered as nonresident.
4. Income accrued or arose outside Bangladesh is taxable for a nonresident.
5. Residential status is determined for each income year.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ2.1 Define Income Year and explain how to determine income year under different circumstances stated in Section - 2(15) of the ITA, 2023?
- DQ2.2 Define Assessment Year and explain under what circumstances assessment year can be same as income year?
- DQ2.3 State the importance of determining income year and assessment year.
- DQ2.4 Define Assessee according to Section - 2(22) of the ITO, 1984.
- DQ2.5 Classify assessee based on the residential status and explain why this classification is important in income tax determination?
- DQ2.6 Explain the rules to determine the residential status of an individual and also of a company?
- DQ2.7 "Income tax varies according to the residential status of an assessee" - explain.
- DQ2.8 Write short note on: ☐ Income Year ☐ Assessment Year ☐ Assessee ☐ Residential status

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
b	d	d	d	a	b	a	c	a	a

TRUE/FALSE

1	2	3	4	5
T	T	F	F	T

SELF - REVIEW 2.1

In the case of a business newly set up in a financial year, the period of income year begins with the date of the setting up of the business and ends with the 30th day of June following the date of setting up of such business.

SELF - REVIEW 2.2

Assessee	Period covered in the Income Year	Income Year	Assessment Year
Nitol Motors	Start August 01, 2023 End June 30, 2024	2023-2024	2024-2025
Trust Insurance Ltd.	Start March 01, 2023 End December 31, 2023	2023-2024	2024-2025
Vertex Ltd.	Start July 01, 2023 End May 31, 2024	2023-2024	2023-2024*

*Based on the exceptions to the general rule of assessment year.

SELF - REVIEW 2.3

Characteristics of residential status:

- ☐ Residential status may differ from year to year.
- ☐ Residential status will not depend on the citizenship of the assessee.

Residential Status of Company: A Bangladeshi company or any other company, the control and management of whose affairs are situated wholly in Bangladesh in that year will be considered as resident. If the control and management of a company is situated partly or wholly outside Bangladesh, it will be considered as non-resident.

3

Income, Exemptions, & Allowances

A tax loophole is "something that benefits the other guy.
If it benefits you, it is tax reform."
— Russell B. Long

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

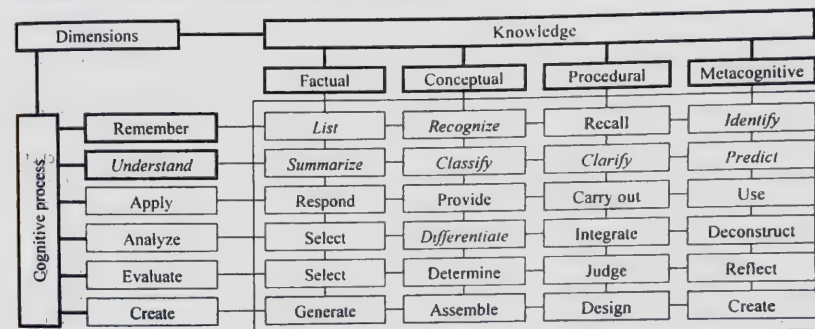
- CLO 3.1 understand the concept of income and its characteristics
- CLO 3.2 explain the implications of different classes of income
- CLO 3.3 differentiate different class of income
- CLO 3.4 identify different sources of income
- CLO 3.5 list the non-assessable incomes
- CLO 3.6 list the allowable investments
- CLO 3.7 clarify tax holiday schemes
- CLO 3.8 recognize tax rebate on CSR activities

KEY TERMS

Income, Global Income, Domestic income, Foreign Income, Tax Credit Income, Tax Free Income, Assessable Income, Non-Assessable Income, Tax Rebate, Tax Holiday

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first two levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



3.1

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3.1

DEFINITION OF INCOME

The concept of income is central to the Income Tax Act (ITA) as it is the income that is taxed. Anything, which can be defined as income is taxable unless specifically exempted from tax. According to the Oxford Dictionary, the term "income" means periodical, especially annual receipt from one's work, lands, investments. It includes any sum that a person or organization receives either as a reward for effort (e.g., salary or trading profit) or as a return on investments (e.g., rents or interests). On the other hand, a receipt that cannot be termed as income cannot be assessed. The term "income" has not clearly been defined in the ITA, 2023, rather what to be included or not under the income heads has been explained. Section 2(13) of the ITA, 2023, states "income" include –

- any income, receipts, profits or gains, from whatever source derived, chargeable to tax under any provision of this Act;
- any amount which is subject to collection or deduction of tax at source under any provision of this Act;
- any loss of such income, profits or gains;
- the profits and gains of any business of insurance carried on by a mutual insurance association computed in accordance with paragraph 8 of the Fourth Schedule;
- any sum deemed to be income, or any income accruing or arising or received, or deemed to accrue or arise or be received in Bangladesh under any provision of this Act;
- any amount, payment or transaction on which a tax is imposed.
- The acquisition of any property which is not-
 - Natural;
 - A self-creation of any person;
 - A foreclosure against a lien or mortgage;
 - Acquired by inheritance, will, bequest or trust; acquired in exchange or purchase.

Definitions of income as per various court decisions

- "Income is what comes in from outside. No man can make a profit by dealing with himself" – [CIT vs. Hind Construction Ltd. (1972) 83 I.T.R 211 (S.C.)]
- "Income includes every kind of receipts or gain" - [CIT vs. Navin Chandra Majumdar (1954), 26 I.T.R. 758 (S.C.)]
- "Essentially the concepts of income indicate something which goes into the pocket of the assessee and not what saves in its pocket" - [Bhagwan Das Jain vs. Union of India (1981), 5 taxman 7 (S.C.)]

The definition given above is an inclusive definition and not exhaustive. It is not expressing the exact definition. It has got a legal concept. Income in this Act connotes a periodical monetary return "coming in" with some sort of regularity or expected regularity, from definite sources after deducting allowable expenses.

3.2

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CHARACTERISTICS OF INCOME

The term 'income' is difficult to define and therefore a lot of litigation has taken place all over the world to sort out difference of opinion in this regard. Considering the judgments, we can find the following salient features of income:

- **Periodical return:** The term 'income' under the ITA, 2023, refers to a periodical monetary return coming in with some sort of expectation and definite sources.
- **Received from third party:** Income must come from outside. Pocket money received by a student from his father is not income. [CIT vs. Hind Construction Ltd., 1972]
- **Definite source:** It arises from or out of a source, like work by way of employment or profession or vocation or investment in business assets or government securities or shares, debentures etc., or the land or things erected on or connected with land.
- **Revenue receipts:** Income is one kind of revenue receipts which is essentially the product of capital. [CIT vs. Shaw Wallace & Co., 1932]
- **Tainted with illegality:** Legality is not an important factor to consider an item as income. Legal or illegal both incomes may be charged for tax.
- **Income in kind:** Income may be received either in cash or in kind or in the form of perquisites which can be measured in terms of money. [CIT vs. Kameshwar Singh]
- **Received or accrued:** Income must be earned but may have already been received or not. Income earned but receivable will also be considered as income. [Trinidad Lake Asphalt Operating Co. vs. CIT]
- **Real:** Income means real income not fictitious income. [CIT vs. B. M. Kharwar]

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CAPITAL AND REVENUE RECEIPTS AND EXPENDITURES

The distinction between capital and revenue is important for the purpose of income tax. It is the revenue receipt and not capital, that is put to tax. The only exception being is the capital gains. In the same way, only revenue expenditure is allowed to be deducted while calculating income whereas amount spent to acquire capital assets is ignored altogether. The concept of capital and revenue should be discussed with regard to receipts, expenditure and losses.

Receipts are of two types – revenue or capital. **Revenue receipts** arise on account of sale of goods and services in business. This is a regular flow of receipts. On the other hand, **capital receipts** are those receipts which are received on selling of capital assets, e.g., sale proceeds of residential house. Similarly, expenditure can also be classified as revenue or capital. Expenses incurred in day-to-day running of business are known as **revenue expenditure**, e.g., salary, wages etc. But amount spent on acquiring of capital assets is termed as **capital expenditure**. Such as, purchase of Plant & Machineries. Losses do occur in business: some are allowable deduction from business income in computing taxable income, while some of them are not. Although the distinction between capital and revenue can be fairly recognized and easily applied, there is no clear guideline in the ITA, 2023 about such distinctions. Based on accounting principles, economic considerations, and judicial remarks we can distinguish them.

Various tests have been evolved for distinguishing between capital and revenue receipts and expenditure, but no test is paramount or conclusive. There is no all-embracing formula that provide a ready solution to the problem; no touchstone has been devised. Every case has to be decided on its own facts, keeping in mind the broad picture of the whole operation in respect of which the income has been receipt and the expenditure has been incurred [CIT vs. Karanpura Development Com. (1983) 144 ITR 538].

Distinguishing Tests of Revenue and Capital Receipts

Following tests can be applied in distinguishing capital and revenue receipts:

- **Fixed and Circulating:** A receipt on account of fixed capital is a capital receipt. And a receipt against circulating capital is a revenue receipt, therefore, taxable.
- **Sources of compensation:** Compensation received for the immobilization, sterilization or destruction of a capital asset is capital receipt. Compensation received for harmful effect of a trading asset is a revenue income and liable to tax.
- **Motive of seller in case of isolated transactions:** For an isolated transaction of purchase and sale of property, seller's motive is a deciding factor in determining the nature of the receipt. Where assets are held as investment, receipt from sale of such assets will be considered as capital receipt. Whereas receipt from the sale of an asset who holds them for trade or resale, will be considered as revenue receipt.
- **Surrender of rights:** Any amount received for surrender of certain rights under an agreement is a capital receipt. On the other hand, any amount received by way of compensation for loss of future profits is termed as revenue receipt.
- **Nature of receipt:** The nature of receipts in the hand of the receiver, not the nature of payment, will determine a receipt is either capital or revenue in nature. Such as, if in a newly established business, the owner pays salary, bonus, and wages out of the capital, it will be treated as revenue receipt for the receiver and will be taxable.
- **Periodicity of receipt:** Generally capital receipts are received on a lump sum basis. However, receipt in lump sum or periodical does not determine receipts as revenue or capital nature. Salary is a revenue receipt even if it is received once in a year or periodically every month. But, if the sale proceed of a capital asset is received on an installment basis, will be considered as capital receipt.

Examples of Revenue and Capital Receipts

Capital Receipts

- Sale of Capital assets like Land, Machine, Furniture etc. of a business.
- Compensation received for the termination of job e.g., Golden Handshake.
- Royalty received for transfer of capital rights.
- Insurance claim received for loss caused by fire to a capital asset.
- Any receipt to meet capital expenditure.

Revenue Receipts

- Receipt of annual royalty from user of rights.
- Compensation received for loss of goods in transit.
- Sale of marketable securities which was purchased to resale.
- Proceeds from sale of forest trees.

Distinguishing Tests of Revenue and Capital Expenditures

Unlike receipts, following tests are important in determining whether a particular expenditure is capital expenditure or revenue expenditure in nature:

- **Nature of goods purchased:** Amount spent on acquiring or purchasing or installing a capital asset will be considered as capital expenditure. Whereas, if it is paid to acquire purchase of goods for resale, will be considered as revenue expenditure.
- **Nature of liability:** Payment made by the assessee to free himself from a liability of capital nature will be treated as capital expenditure. Whereas any payment made by the assessee to discharge himself from the recurring liability will be considered as revenue expenditure. Such as, Compensation paid to a contractor for premature termination of contract pertaining to construction of a factory building will be capital expenditure, but compensation paid to an employee for the termination of his service (e.g., golden handshake) is an example of revenue expenditure.
- **Acquiring a source of income:** Any amount paid for the acquisition of a source of income shall be of capital expenditure in nature. On the other hand, the payment made for earning of certain income shall be revenue expenditure. For example, any payment made for buying a coal mine will be capitalized whereas payment made to procure coals from mine will be revenue in nature.
- **Improvement, Development or Replacement of an asset:** If the amount is paid to increase the efficiency and capacity of the business assets, or replace an existing business asset, will be a capital expenditure. But when certain payments are made just to maintain the existing efficiency of an asset, they are revenue expenditure. For example, payment made to install a generator will be a capital expenditure, but annual repair and maintenance cost for the generator is revenue expenditure.
- **Earning profits or producing profits:** A payment made in consideration of the acquisition of rights and opportunity to earn profits is a capital expenditure. But the expenditure incurred to conduct the business activities with a view to earning profit will be revenue expenditure. For example, to purchase the license of Cellular Phone Operation for 10 years is a capital expenditure. But annual royalty expense is an example of revenue expenditure.

Examples of Revenue and Capital Expenditures

Capital Expenditures

- Sum paid to acquire a capital asset.
- Cost of reconstructing and refurbishing business premises.
- Payment for the purchase of mining rights.
- Expenses paid in connection with purchase of fixed assets e.g., legal exp. for land purchase.
- Payment for the acquisition or purchase of the goodwill of any business.

Revenue Expenditures

- Payment of commission to the sales agents.
- Annual license fee.
- Repair expense and maintenance cost of machineries.
- Regular expenditure incurred on advertisement, salary, rent and other operating expenses

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LOSSES

A loss is different from the concept of expenditure. Against loss there is no return or benefit has been received. This is also known as the excess of expenses over revenues in an accounting period of a business. A business loss is allowable if it is of non-capital nature and is not only connected with the trade but also is incidental to the trade itself [CIT vs. J K Cotton Spng. & Wvg. Mills (1980) 123 ITR 911]. In assessing the taxable profits of a year account must necessarily be taken of all losses incurred besides the expenditure allowable under various provisions of the ITA, 2023.

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SCOPE OF TOTAL INCOME & TOTAL WORLD INCOME

Total Income

According to the provisions stated in the ITA, 2023, the scope of total income varies by the residential status of an assessee. Total income is computed following provisions of this ordinance. Total income of a resident assessee includes [Section 26]:

- ☐ Income received or deemed to be received in Bangladesh;
- ☐ Income accrues or arises or deemed to accrue or arise in Bangladesh;
- ☐ Income received or deemed to be received outside Bangladesh;
- ☐ Income accrues or arises outside Bangladesh.

But for a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh are to be included in the total income. These incomes are classified and computed based on following seven sources [Sec 30]:

- ☐ Income from Employment
- ☐ Income from Rent
- ☐ Agricultural income
- ☐ Income from Business
- ☐ Capital Gain
- ☐ Income from Financial Assets
- ☐ Income from other sources

But in "Specimen Form of Return of Income under the ITA, 2023" total 10 heads of income have been mentioned. Among those the additional heads are Share of profit in a firm as applicable u/s 31(1), Income of the spouse or minor child as applicable u/s 31(1) and foreign income. While computing the income under the above heads, provisions regarding set-off and carry-forward, clubbing of incomes, exemptions and allowable deductions have to be considered.



- Identify few characteristics of income and explain nature of the following transactions.
- (a) compensation received for golden handshake and compensation received for goods lost in transit
 - (b) purchase of furniture for use and for resale purpose.

Total World Income

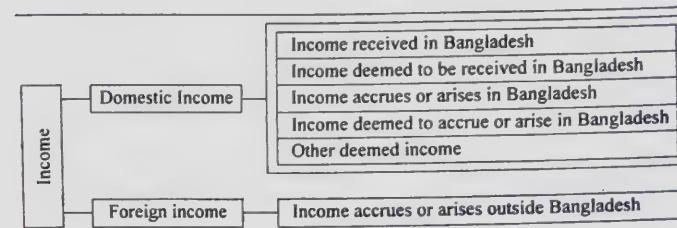
The term "Total World Income" is relevant for a non-resident only, whose income includes, the income received or deemed to be received and income accrues or arises

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CLASSIFICATION OF INCOME - BASED ON LOCALITY

The income which is earned by an assessee within the boundary of the taxable territory i.e., Bangladesh, can be termed as "Domestic Income" and if it is earned from outside the taxable territory i.e., other countries of the world, it is "Foreign Income". Based on the residential status, an assessee can be a resident or a non-resident. The total income of a resident is the sum of his domestic income and foreign income. But in case of a non-resident, total income will include only his domestic income. The classification can be presented as it is in the following diagram:



Domestic Income

All the incomes received, deemed to be received, accrues, or arises, deemed to accrue, or arise in Bangladesh are considered domestic income. They are as follows:

Income received in Bangladesh

These are the incomes earned and received either by the assessee or his agent in Bangladesh in an income year. Income received in Bangladesh during the income year is taxable in the hands of all assesseees i.e., both residents and non-residents. It is only the first receipt either by the assessee or his agent. For example, income received from salary in India for a job in India and subsequently remitted to Bangladesh will be considered as foreign income since it was the subsequent receipt, not the first receipt. Income may either be received in cash or in kind.

Income deemed to be received in Bangladesh

These are the incomes which are not actually received by the assessee, but the law treats them as income received for income tax purposes. This is treated at par with income received. Such incomes as are deemed to be received in Bangladesh are as follows:

Bangladesh Income Tax – Theory and Practice

- ☐ Any dividend declared or distributed by a company within the meaning of section 62(1)(d) shall be deemed to be the income of the income year in which it is received and shall be included in the total income of the assessee of that year.
- ☐ Where an employee is a member of a recognized provident fund, the annual accretions during the income year to his account under the provident fund scheme consisting of –
 - Aggregate contribution more than one-third of his salary for that year.
 - Interest credited on the accumulated balance of an employee more than one-third of the salary of the employee and is allowed at a 14.5% rate.
 is deemed to have been received by the employee in that income year and is taxable.
- ☐ Balance transferred to a newly Recognized Provident Fund from a previously Unrecognized Provident Fund as per Para 8(4), Section C, Second Schedule of the ITA, 2023.

Income accrues or arises in Bangladesh: Income is said to “accrue” when an enforceable right to receive it comes to vest with the assessee i.e., when it is earned by the assessee. It may be seen to convey the same meaning by the term “accrue” and “arise” which indicate a right to receive, but in reality, it is not so. The word “accrue” or “arise” differ only as to the point of time of recognition of income in the books of accounts. Income accrues when it first comes into existence, it arises when the method of accounting shows it. Thus, there may arise a situation when income may accrue in one year, arise in the next year and may be received in the third year. Income earned in Bangladesh is considered as income accruing or arising in Bangladesh. Regarding this, the following general principles and guidelines are to be followed:

<i>Income from:</i>	<i>Guidelines to be accrued or arisen in Bangladesh</i>
Employment	The employee has to serve in Bangladesh.
Rent	The properties must be situated in Bangladesh
Agriculture	Agricultural land or properties must be situated in Bangladesh
Business	The entire activities of the business must be held in Bangladesh.
Capital Gain	Relevant capital asset or properties must be situated in Bangladesh.
Financial Assets	Relevant financial assets must be issued or held in Bangladesh
Other sources	The sources must be from Bangladesh

Income deemed to accrue or arise in Bangladesh

According to section 27 of the ITA, 2023, following incomes shall be deemed to accrue or arise in Bangladesh, namely –

- ☐ any income which falls under the head “Salaries”, wherever paid if –
 - it is earned in Bangladesh; or
 - it is paid by the Government or a local authority in Bangladesh to a citizen of Bangladesh in the service of such Government or authority;
- ☐ any income accruing or arising, whether directly or indirectly, through or from –
 - any permanent establishment in Bangladesh;
 - any intangible asset/property, asset, right or other source of income in Bangladesh;
 - transfer of assets in Bangladesh;
 - sale of goods or services to any customer in Bangladesh through electronic/online media; or
 - any in intangible asset used in Bangladesh;
 - any property, asset, right or other source of income in Bangladesh; or
 - transfer of capital assets in Bangladesh;

Provided that, in the case of a business, all the operations of which are not carried out in Bangladesh, only such part of the income attributable to the operation carried out in Bangladesh shall be deemed to accrue or arise in Bangladesh.

- ☐ Shares of resident companies in Bangladesh, whoever owns it from anywhere of the world, shall be considered as assets in Bangladesh;
- ☐ Any intangible asset shall be considered as assets in Bangladesh, if
 - (a) it is registered in Bangladesh; or
 - (b) in case of such asset owned by a non-resident, if such asset is related to any permanent establishment of the same person in Bangladesh;
- ☐ Where the shares of any non-resident company is transferred, wherever the transfer takes place, proportional transfer value associated to the transfer of assets in Bangladesh shall be considered as the transfer of assets in Bangladesh;
- ☐ any dividend paid outside Bangladesh by a Bangladeshi company;
- ☐ any income by way of interest payable –
 - by the Bangladesh Government; or
 - by a person who is a resident, except where the interest is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person outside Bangladesh or for the purpose of making any income from any source outside Bangladesh; or
 - by a person who is a non-resident where the interest is in respect of any debt incurred, or moneys borrowed and used for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh;
- ☐ any income by way of fees for technical services payable –
 - by the Bangladesh Government; or
 - by a person who is a resident, except where such fees are payable in respect of services utilized in a business carried on by any such person outside Bangladesh or for the purposes of making or earning any income from any source outside Bangladesh; or

- by a person who is non-resident where such fees are payable in respect of services utilized in a business carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh, the purposes of making or earning any income from any source in Bangladesh.
- any income by way of royalty payable (either/or) –
 - by the Bangladesh Government;
 - by a person who is a resident, except where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person outside Bangladesh or for the purposes of earning any income from any source outside Bangladesh;
 - by a person who is a non-resident where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.

Other deemed income

According to several provisions of the ITA 2023, certain unexplained cash credits, investments, and expenditures including possession of money, bullion, jewellery etc. with an assessee shall be deemed to be his income for that income year, and to be included in his total income classifiable under relevant heads e.g. Income from Other Sources (Section 67); Income from Business (Section 45); Income from Financial Assets (Section 62); Income from Agriculture (Section 41) etc.

Foreign Income

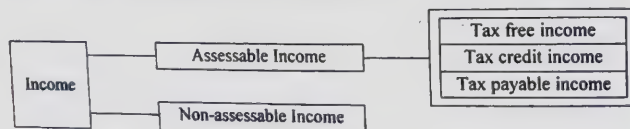
According to section 26(b, d) of the ITA, 2023 all those incomes which accrue or arise or received outside Bangladesh is included under the head "Foreign Income". In case of resident, it is included in his total income and in case of non-resident it is excluded.

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CLASSIFICATION OF INCOME – BASED ON ASSESSMENT

As it has been seen earlier, no clear definition has been given in the ITA, 2023; rather what to be included and not to be included under the head income has been explained. According to the provisions of the ITA, 2023, and based on chargeability of tax we can classify income in the following way:



Non-assessable Income

Those income which are not included in the computation of total income of an assessee, are non-assessable income. A list of such income is given under Section 77, in Part I

of the Sixth Schedule of the ITA, 2023. According to Section 76(1), the government, by notification in the Official Gazettee, can make necessary inclusion or exclusion of incomes in the list considered to be non-assessable. For example, Pension; Gratuity etc. are examples of non-assessable incomes.

Assessable Income

Assessable incomes are those incomes, which are included in the determination of the total income of an assessee. For example, receipt of Tk. 20,000 as salary is assessable and hence included under total income. The total of assessable incomes from various sources is known as total income of an assessee. Assessable incomes can again be classified into: Tax-free income, Tax credit income, and Tax payable income.

- Tax-free income:** Tax-free incomes are those incomes, which are included in the determination of the total income of an assessee for computing total income. However, tax relief or rebate is allowed on average rate on such income. According to Section 80 of the ITA, 2023, income from the following two sources is considered as tax-free income as tax rebate is allowed on such income at an average rate. They are, Share of profit in a firm if tax has already been paid by the firm, income from Association of Persons on which tax has already been paid by the association. Average tax rate and rebate on tax free income is calculated as:

$$\text{Average tax rate} = \frac{\text{Total tax}}{\text{Total income}} \times 100$$

$$\text{Rebate on tax free income} = (\text{Total tax-free income} \times \text{average tax rate}) \text{ or}$$

$$\text{Rebate on tax free income} = (\text{Total tax} \div \text{Total income}) \times \text{Total tax-free income}$$

- Tax credit income:** Those incomes, which are included in the determination of the total income of an assessee for computing total income and increasing applicable tax rates. This is also known as investment allowance for tax rebate. As per section 78, tax rebate is allowed of an amount equal to the lower of (a), (b), and (c):

(a)	3% of Total Income excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable
(b)	15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3
(c)	Tk. 10,00,000

Some examples like purchase of listed company's share, government securities, savings certificate etc. will be considered as investment allowance.

- Tax payable income:** This is that part of total income for which the taxpayer actually pays tax. The amount is equal to the excess of assessable income over tax free and tax credit income. For example, an assessee's total income is Tk. 580,000 of which income from firm Tk. 20,000 and tax credit income / as investment allowance for tax rebate Tk. 30,000. In this case, tax payable income will be [580,000 – 20,000 – 30,000] = Tk. 530,000.

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EFFECTS OF INCOME CLASSIFICATION ON ASSESSMENT

Income classification has a significant role on the determination of total taxable income, investment allowance, tax rate and tax liability. The effects of classification are:

Non-assessable income: As non-assessable income is not included in the computation of total income, it reduces total taxable income and the tax liability. If an assessee's (other than company & local authority) annual total income is less than the minimum taxable limit i.e., Tk. 350,000 (for women & elderly citizens who are more than 65 years old Tk. 400,000; for 3rd gender & disable person Tk. 475,000 and for gazetted wounded freedom fighters Tk. 500,000), he/she is not liable to pay tax on his income.

Assessable income: Assessable incomes are those incomes, which are included in the determination of the total income of an assessee. If an assessee's (other than company & local authority) annual total income exceeds the minimum taxable limit, he/she is liable to pay tax on his income at applicable rates. Categories of this income are:

- **Tax-free income:** These types of income are included in total income, but tax rebate is granted on these incomes at an average rate. As these items increase the amount of taxable income and initial tax liability is computed using maximum rates which are more than the average tax rate, it increases the actual tax burden of the assessee.
- **Tax credit income/Investment allowance:** An assessee is eligible to receive tax rebate @ specified rate under Section 78.
- **Tax payable income:** This is the amount ultimately for which an assessee pays the tax. This amount helps to determine the tax payable amount of the assessee.

Following table shows the effects of income classification on assessment:

	Total Income	Tax Liability/Tax Rate
Non-assessable	Not included	decreases
Assessable	Included	Increase
▪ Tax-free	Included which increases total income	Increase the tax liability & allows rebate at an average rate
▪ Tax credit	Increases total income	Decrease tax through rebate.
▪ Tax payable	Included	Actual tax liability depends on it

Distinction between Non-assessable Income and Tax credit Income

Distinctions between Non-assessable Income and Tax-credit Income are as follows:

	Non-assessable	Tax Credit Income
Effect on total income	Not included	Included in total income
Tax rebate	Not allowed	Allowed @ specified u/s 78, as the case may be.
Effect on tax liability	Do not increase	Increases tax liability
Impact on tax rate	No effect	Increases the overall tax rate

Distinction between Non-assessable Income and Tax-free Income

Distinctions between Non-assessable Income and Tax-free Income are depicted below:

	Non-assessable	Tax Free Income
Effect on total income	Not included	Included in total income
Tax rebate	Not allowed	Allowed @ average rate
Effect on tax liability	Do not increase	Increases tax liability
Impact on tax rate	No effect	Increases the overall tax rate
Impact on tax limit	No effect	Influence tax limit

Distinction between Exemption and Deduction

If an income is exempted from tax, it is not included in the computation of income. Exemption can never exceed the amount of income. Deduction is generally given from income chargeable to tax. Deduction can be less than or equal to or more than amount of income. If amount deductible is more than the amount of income, the resulting amount will be taken as loss.

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SOURCES/HEADS OF INCOME

Total income of an assessee is classified and computed based on the following 7 sources/heads under section 30:

- **Income from Employment [Section 32]:** Generally, it means periodical payment made for work to an employee from an employer for the services rendered to him. According to section 32(1) of the ITA, 2023, Salary includes:
 - any receipt or receivable amount, salaries or benefits from the employer;
 - any income earned from Employee Share Scheme;
 - Accrued salary on which no tax has been imposed;
 - amount or benefits received from any past or future employee.
- **Rental Income [Section 35-36]:** The owner of house property, legal or beneficial, is liable to pay tax under this section. In this regard, income must come from the house property and its adjacent premises which is not used for the purpose of business or profession or for personal purpose.
- **Agricultural Income [Section 40]:** "agricultural income" means any income derived from any agricultural activities that includes horticulture, animal & birds farming, natural use of land, poultry & fisheries farm, reptile nature animal's farm, nursery, any kind of cultivation in land/water, egg & milk production, production of timber & grass, production of fruits, flowers, & honey; production of seeds.
- **Income from Business [Section 45]:** Income from business is also included in total income. According to section 2(70), "business" includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture; or exchange of goods and services by any profitable or non-profitable entity; or any profession or annuity. The scope of business income is explained in section 45.

- **Capital Gain [Section 57]:** According to Section 57 of the ITA, 2023, tax shall be payable by an assessee under the head "Capital Gains" in respect of any profits and gains arising from the transfer of a capital asset and such profits and gains shall be deemed to be the income of the income year in which the transfer took place.
- **Income from Financial Assets [Section 62]:** An assessee may invest his fund in various types of securities like both government and commercial securities, bank deposits & schemes, shares etc. The interest and dividends received from those securities will be taxable according to the ITA, 2023. According to section 62 of ITA, 2023, the following incomes of an assessee shall be classified and computed under the head 'Income from Financial Assets':
 - interest, profit, or discount receivable by the assessee on any security of the Government or any security approved by government;
 - interest, profit, or discount receivable by him on debentures or other securities issued by or on behalf of a local authority or a company;
 - interest receivable from deposits and schemes from banks and financial institutions;
 - dividends.
- **Income from Other Sources [Section 66]:** The incomes other than from salary, house property, agricultural income, business, capital gains, and financial assets will be included under this head. In case such income does not fit in anywhere under the first six heads, it will be considered under the head "Income from Other Sources".

But according to the "Specimen Form of Return of Income" total 10 heads have been given. Among those the additional heads are Share of profit in a firm, Income of the spouse or minor child, and foreign income.

- **Share of profit in a firm/Association of Persons:** If an assessee is a partner of a partnership firm, the income from the firm will be shown under this head u/s 31.
- **Income of the spouse or minor child:** According to section 31, income of the spouse or minor child is to be included in the total income, provided that the spouse or minor child doesn't submit separate return.
- **Foreign income:** According to section 26(a), all those incomes which accrue or arise outside Bangladesh is included under the head "Foreign Income". In case of resident, it is included in his total income and in case of non-resident it is excluded.

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CASUAL AND NON-RECURRING INCOME

The word "Casual" means "subject to or produced by chance; accidental; fortuitous; coming at uncertain times; not to be calculated on; unsettled". The term "Non-recurring" does not mean that the receipt should happen only once and be isolated one and it should not happen again at all. Rather it means there is no right for recipient to expect its recurrence. Although casual and non-recurring incomes are not regular source of income, some casual and non-recurring incomes are considered as taxable. In this regard, we can consider the following definitions:

Chapter - 3 Income, Exemptions, & Allowances

- **Casual income:** The assessee remains uncertain about these incomes before it is received. Such as, Income from lottery, crossword competition, betting etc.
- **Non-recurring income:** These are the incomes which arise at an irregular interval.

Generally, voluntary payments, personal testimony, gifts, or regular allowances are some examples of casual and non-recurring income. In general, to be casual and non-recurring income the following characteristics should be there:

- It is a sudden receipt and the assessee is uncertain about its appearance.
- It is not a capital gain as per Section 57.
- It is not earned from business as per Section 45.
- It is not perquisite in addition to salary.

Examples of Assessable Casual and Non-recurring Income

- Income from Lottery, Cross-word and horse-race competition.
- Honorarium received as middleman to settle a dispute.
- Reward from the employer for extra-ordinary effort.
- Profit on sale of goods through auction.
- Remuneration of Professional actors, players, dancers, musicians, singers etc.
- Reward received by a lawyer from the client for winning the case.
- Tips of Hotel Stewards.

Examples of Non-assessable Casual and Non-recurring Income

- Gift received on in Birthday or Marriage anniversary.
- Gift against affection or love.
- Receipt of money taken from the streets with no claim.
- Honorarium of Jury.
- Gift Check.

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NON-ASSESSABLE/TAX-EXEMPTED INCOMES

Certain incomes are totally exempt from tax. Incomes specified in **Part I of the Sixth Schedule** of the Income Tax Act, 2023 are exempt and excluded from the computation of total income subject to the limits, conditions and qualifications mentioned therein. Besides these specified items of income, the government may make any exemption, reduction in rate or other modifications in respect of tax in favor of any class of income or in regard to the whole or any part or the income of any class of persons through issuing SRO [section 76 (1), (2)]. The Board may cancel any such exemption by issuing SRO and no retrospective exemption will be applicable under this law [sec. 76 (3), (4)].

Notwithstanding anything contained in clause Part VI or any other section of ITA 2023, the income of a person for the relevant income year shall not be (i) exempted from tax; or (ii) be subject to reduced rate of tax; in an assessment year if the person fails to – (a) submit the return of income within tax day; or (b) submit the return fulfilling the conditions of section 166 and 171; or comply with the provisions of tax deduction and

collection at source, its deposit or submission of relevant return and Part VII; or (d) receive all receipts and income from the exempted sources through bank transfer. It is provided that this provision will not be applicable where the receipt is from "agricultural income" and total receipt is not more than TK. 1 crore in the said income year [section 76(5)].

Any disallowance of expenditure under section 55, in calculating the income of a source or of a person that is exempted from tax or is subject to a reduced rate of tax, shall be treated as income for that source or of that person, as the case may be, and tax shall be payable on such income at the regular rate [section 76(6)]. Incomes specified in **Part I** of the **Sixth Schedule** of the Income Tax Act, 2023 are exempt and excluded from the computation of total income, but will be included in the computation of the sources of fund of the relevant income year subject to the fulfillment of conditions under Sec77(1).

List of Non - assessable/Tax - exempted Incomes [6th Schedule, Part I]

Followings are exempted from tax as per Part I of the Sixth Schedule of the ITA, 2023:

- ☐ **Income of employees of tax-exempt organizations under Treaty [Para 1]:** Income of any inter-government organization or international organization or employees of such organizations, where the exemption has been imposed based on any law passed in the parliament or any treaty signed by the government.
- ☐ **Income of employees of Foreign Missions [Para 2]:** Any income received by -
 - Ambassadors, High commissioners, envoys, ministers, charge de affairs, commissioners, counselors, consul de carriere, secretaries, advisors or attaché of an embassy, high commission, legation or commission of a foreign State, as remuneration from such State for service in such capacity.
 - Trade commissioners or other official representatives in Bangladesh of a foreign state (not holding office as such in an honorary capacity) as his official salary, if the official salary of the corresponding officials, if any, of the Government, resident for similar purposes in the country concerned, enjoy a similar exemption in that country.
 - by a member of the staff of any of the officials referred to in clauses (a) and (b), as his official salary, when such member is not a citizen of Bangladesh and is either a subject of the country represented or a subject of some other Foreign State and is not engaged in any business or profession or employment in Bangladesh otherwise than as a member of such staff, and the country represented has made corresponding provisions for similar exemptions in the case of members of the staff of the corresponding officials of the Government of the People's Republic of Bangladesh in that country.
- ☐ **The receipt of a government / Local government [Para 3]:** Any donation, tax, rates and duty received by the government/local government.
- ☐ **Pension [Para 4]:** Any pension due to or received by an assessee from the Government pension fund.

- ☐ **Gratuity [Para 5]:** Any income up to taka two crore fifty lakh received by an assessee as gratuity from the government gratuity fund.
- ☐ **Any payment received from Provident and other funds [Para 6]:** For provident fund, approved superannuation fund, pension fund, approved gratuity fund:
 - receipt of contribution from employees and employers.
 - Payment to the beneficiaries from such funds where it has been taxed by the fund

It is provided that the contribution received by the assessee from the approved gratuity fund shall not exceed Tk. 2.5 crore.

- ☐ **Income of provident funds [Para 7]:** Any income accruing to/derived by a provident fund established under the Provident Fund Act, 1925.
- ☐ **Payment received on Voluntary retirement [Para 8]:** Amount received by an employee of a government organization, a local authority, an autonomous or semi-autonomous body including the units or enterprises controlled by it, on a voluntary retirement scheme approved by the government.
- ☐ **Interest on pensioners' savings certificate [Para 9]:** Any sum or aggregate of sums received as interest from pensioners' savings certificate where the total accumulated investment at the end of the relevant income year in such certificate does not exceed Tk. 500,000.
- ☐ **Income of some entities approved by the BSEC [Para 10]:** Any income of the following entities, approved by the Bangladesh Securities and Exchange Commission: Mutual Fund, Alternative Investment Fund, Real Estate Investment Trust; Exchange Traded Fund.
- ☐ **Income from house property held under trust or other legal obligation wholly used for religious or charitable purposes [Para 11]:** Any income derived from house property held under trust or other legal obligation (except the case of a NGO, registered with NGO Affairs Bureau) wholly for religious or charitable purposes, if such income is applied-
 - wholly for religious or charitable purposes in Bangladesh during the income year, or
 - is not used for religious or charitable purposes, but is accumulated or finally set apart, for application to such purposes in Bangladesh, and
 - (i) such person specifies the Deputy Commissioner of Taxes, the purpose for which the income is being accumulated or set apart;
 - (ii) the accumulation or setting apart mentioned in above (i) shall in no case exceed ten years;
 - (iii) the money so accumulated or set apart is invested in any government security or in any other government's approved security, or deposited in any account with the Post Office Savings Bank, or deposited such money in an account with scheduled bank of which fifty one percent or more shares are held by the government.

- *Voluntary contributions received by the Religious or Charitable Institutions or NGO Affairs Bureau approved person [Para 12]:* (a) Any voluntary contributions received by a religious institution or any charitable institution approved by the Commissioner of Taxes and spent solely to religious or charitable purposes. (b) received by a person authorized by the NGO Affairs Bureau.
- *Income from micro credit operation [Para 13]:* Any service charge derived from operation of micro credit by an entity registered with the Microcredit Regulatory Authority subject to compliance with the following conditions:
 - It is revolving as microcredit, except in the areas prescribed by the law;
 - Such entity registered by the Microcredit Regulatory Authority shall not be engaged in any activity other than the operation of microcredit activities;
 - The conditions mentioned in above sub-clause shall be applicable from the tax year 2026-2027; and
 - Only so much as is not revolved in any tax year shall be taxable;

For the purpose of this paragraph, "service charge" means any financial charge or interest or share of profit, called by whatever name, paid or payable by the loan recipient for the amount borrowed under micro credit programme from the nongovernment organization.

- *Special allowances [Para 14]:* Any special allowance, benefit or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment of profit where such way of expenditure was the most convenient for the employer.
- *Income received by a beneficiary of a trust or a participant in a fund [Para 15]:* The portion of income received by a beneficiary of a trust or a participant in a fund as part of the income of the trust or fund on which tax has been paid by the said trust or fund.
- *Income of a member of a Hindu Undivided Family (HUF) [Para 16]:* Any income received by a member of HUF out of income of the said family where tax is paid by the HUF.
- *Foreign Remittance [Para 17]:* Any income earned abroad by an individual assessee being a Bangladeshi citizen and brought any such income into Bangladesh as per existing laws applicable in respect of foreign remittance.
- *Income from various bonds [Para 18]:* Any income received by an assessee from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond
- *Income of indigenous hillman [Para 19]:* Income received from economic activities by indigenous Hillman within the hill districts of Rangamati, Bandarban and Khagrachari
- *Agricultural income [Para 20]:* Agricultural income upto Tk. 200,000 of an individual assessee if (a) he is a farmer, (b) his only source of income is from agricultural activities in the said income year, and (c) his income from interest or profit is not more than Tk. 20,000.

- *Income from IT business [Para 21]:* Any income derived from the following business of a person being a resident or a non-resident Bangladeshi for the period from 1.07.2024 to 30.06.27. Provided that from July 01, 2024, all income, expenditure and investment of the said business shall be performed through bank transfer.

Nature of Businesses: AI based solution development, Blockchain based solution development, Robotics process, Software as a service, Cyber security service, Digital data analytics and data science, Mobile application development service, Software development and customization, Software test lab service, Web listing, website development and service, IT assistance and software maintenance service, Geographic Information Service, Digital animation development, Digital graphics design, Digital data entry and processing, e-learning platform, IT freelancing, Call center service, Document conversion, imaging and digital archiving.

- *Income from export of handicrafts [Para 22]:* Any income derived from the export of handicrafts for the period from July 01, 2020 to June 30, 2024.
- *Tax paid by the government on behalf of a petroleum company [Para 23]:* Any amount paid by the government as tax on behalf of a petroleum exploration company engaged in exploration of petroleum products in Bangladesh under Production Sharing Contract (PSC) with the Government of Bangladesh.
- *Income of SMEs [Para 24]:* Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods and having an annual turnover of not more than taka fifty lakh (for SMEs owned by women, Tk. 70 lakh).
- *Income from Zero Coupon Bond [Para 25]:* Any income derived from Zero Coupon Bond (ZCB) received by a person other than Bank, Insurance or any Financial Institution, subject to the following conditions:
 - that the ZCB is issued by Bank, Insurance or any Financial Institution with prior approval of Bangladesh Bank and Securities and Exchange Commission.
 - that the ZCB is issued by any institution other than Bank, Insurance or any Financial Institution with prior approval of SEC.
- *Income received by educational institutions [Para 26]:* Any income, not being income classifiable under the head "Income from financial assets", received by any educational institution, if it –
 - is enlisted for Monthly Pay Order (MPO) of the Government;
 - follows the curriculum approved by the Government;
 - is governed by a body formed as per Government rules or regulations.
- *Income from Salary [Para 27]:* lower one of one-third of income computed under the head "income from employment" or Tk. 450,000.
- *Income received by public universities or professional institutes [Para 28]:* Any income, not being interest or dividend, received by any public university.
- *Honorarium or allowance or welfare allowance received from Bangladesh Freedom Fighter Welfare Trust / Government [Para 29]:* Any amount in the nature

- of an honorarium or allowance from Bangladesh Freedom Fighter Welfare Trust or any welfare allowance received by any person from the Government.
- Any reward from Government [Para 30]: Any reward received by any person from the Government.
- Any reward of elderly care home [Para 31]: Any income derived from the operation of an elderly care home.
- Distribution of taxed dividend to resident company [Para 32]: Any distribution of taxed dividend to a company if the company distributing such taxed dividend has maintained separate account for the taxed dividend.
- Business income of ocean-going ships being Bangladeshi flag carrier [Para 33]: Any business income derived by an ocean-going ship being Bangladeshi flag carrier upto June 30, 2030, if it is received in foreign currency and brought into Bangladesh as per existing laws applicable in respect of foreign remittance.
- Any pension income under Universal Pension Scheme [Para 34] [SRO 295-LAW/IT-17/2023 dated 31.10.2023]
- Asset received as a gift from spouse, parent or child [Para - 35]: Any asset received as a gift from spouse, parent or child if it appears in the returns of the donor and the recipient. Provided that in a case where the said donation is repatriated from abroad to the recipient in Bangladesh through banking channel, the condition of appearing in the donor's return shall not apply:
- Capital gain received by an individual from share market [Para 36]: Any capital gain not exceeding Tk. 50 (fifty) lakhs received by an individual, which is-
 - acquired from the transfer of shares/units of any listed company or fund; and
 - not acquired from the transfer of shares or units of sponsors, directors or placements of any company or fund.

Tax-exempted Incomes as per Different SRO's

Note: SRO's issued before the issuance of the new Income Tax Act 2023 (July 01, 2023), may need further approval from NBR, as those SRO's have been issued based on the power entrusted to NBR Under Section 44(4)(b) of the repealed Income Tax Ordinance 1984.

- Contribution to President's Relief Fund [SRO 254/L85]
- Income of any welfare fund established for the welfare of workers employed in tea sector [SRO 239-AIN-IT 198 dated 29.09.1987]
- Interest on Deposit Pension Scheme of a Bank approved by the government [SRO 89-AIN-IT 2003 IT 2003 dated 02.04.2003]
- Income from Bond not exceeding Tk. 25,000 issued by any government, semi-government or autonomous body engaged in electricity generation and distribution [SRO 66 Law 2004 dated 13.03.2004]
- Income of Stock Exchanges in Bangladesh up to certain limit [SRO 157-L/IT/2014 dated 26.06.2014]
- Income of Army Welfare Trust established for the welfare of the Ex-Army personnel, their children and dependents [SRO 23/ Law/2007 dated 22.02.2007]

- Income of National Heart Foundation of Bangladesh, Bangladesh Diabetic Society, Bangladesh Diabetic Foundation, Foundation of Research on Education Planning and Development (FREPD) [SRO 182/ Law/2006 dated 18.07.2006]
- Income of Welfare Fund established under any law for the time-being in force for the welfare of the Tea Garden Workers [SRO 239-L/87 dated 18.10.1993]
- Scholarships to meet the cost of education. [SRO 454-L/80 dated 31.12.1980]
- Monetary award granted from the Cultural Heritage Fund for outstanding contribution in the country's art and culture. [SRO 39-L/82 dated 19.01.1982]
- Ression received by army persons. [SRO 454-L/80]
- Contribution to Prime Minister's Relief Fund [SRO 125/L91 dated 01.07.1991]
- Tax on the tax amount paid by the employers' against salary paid to employees, if employer pays the tax, such amount will not be included as an income to the employee [SRO 182-AIN/99]
- Income of District Sports Association, Divisional Sports Association, national Sports Federation and National Sports Council [SRO 298-AIN/2000]
- Income of Local Development Network Institutions established by Aga Khan Development Network (e.g., Aga Khan Foundation, Aga Khan Health Service, Aga Khan Education Service etc.) [SRO 210-AIN/2001 dated 26.07.2001].
- Contribution to Sylhet Diabetic Society, Islamia Eye Hospital and M. A. Ispahani Institute of Ophthalmology, Kidney Foundation: and National Heart Foundation of Bangladesh [SRO 109/IT/2006 dated 07.05.2006]
- Donation to Dhaka Community Hospital [SRO 92-AIN/2008 dated 10.04.2008]
- Income of any foreign faculty members, teaching, research or library staff members, administrators, officers, experts, technicians, visiting personnel employed in Asian University for Women [SRO 17-AIN/2009 dated 02.02.2009]
- Salary income of foreign nationals working in International Committee of Redcross (ICRC), Bangladesh. [SRO 80-AIN/IT/2010 dated 15.03.2010]
- Income of Muktijuddho Jadughor, 5 Segunbagicha, Dhaka [SRO 117-AIN/IT/2010 dated 21.04.2010]
- Income of Political Parties registered by Bangladesh Election Commission [SRO 330-AIN/IT/2011 dated 26.10.2011]
- Contribution not exceeding Tk. 500,000 to Child Health Foundation Hospital; Child Hospital, Jessore; Hospital for Sick Children, Sathkhira (Run by Child Health Foundation, BD); Digonto Memorial Cancer Hospital, Dhaka; The ENT & Head-Neck Cancer Foundation of Bangladesh, Dhaka; and National Development Foundation for Disableds, Dhaka [SRO 316-AIN/2008 dated 18.11.2008]
- Contribution to Asiatic Society of Bangladesh, Ramna, Dhaka [SRO 32-AIN/2009 dated 09.03.2009]
- Contribution to Jatir Janok Bangabondhu Sheikh Mujibur Rahman Memorial Trust, Dhaka; Rafatullah Community Hospital, Thengamara, Bogra; and Salvation for the Deserving (SFD), Manikgonj [SRO 33-AIN/2009 dated 09.03.2009]
- Income of Bangladesh Retired Govt. Servants Welfare Association registered in Social Welfare Department (Reg. 21/1976) [SRO 90-AIN/IT/2009 dated 27.05.09]

- Donation to Muktijuddho Jadughor, 5, Segunbagicha, Dhaka [SRO 116-AIN/IT/2010(21.04.2010)]; Society for Assistance to Hearing Impaired Children (SAHIC) [SRO 11-AIN/IT/2011(10.01.2011)]; A.K.Khan Health Care Trust [SRO 218-AIN/IT/2011(04.07.2011)]; Civil Service College, Dhaka [SRO 409-AIN/IT/2012(17.12.2012)]. Income of "Bisha Shahitto Kendro" [SRO 182-AIN/IT/2013(10.06.2013)]
- Income of Bangladesh Retired Governments' Servants Welfare Association registered under Department of Social Welfare (Reg: 21/1976) [SRO 90-AIN/2009 dated 27.05.2009]
- Any gain from sale of shares of listed companies will be tax free in the hand of non-resident provided that such assessee is entitled to similar tax exemption in his own country [SRO 59-AIN/IT/2012 dated 28.02.2012]
- Any income of commerce ministry approved Federation of Chamber of Commerce and Industries (except income from interest, income from house property and income from business) [SRO 210-AIN/IT/2013 dated 01.07.2013]
- Donation to Science and Technology Development Fund, Ministry of Science and Technology, Bangladesh Secretariat, Dhaka [SRO 282-AIN/IT/2013(21.08.2013)]
- Income earned from charitable and service activities by Bangabir General Osmani Memorial Trust [SRO 291-AIN/IT/2013 dated 03.09.2013]
- Dividend income of the foreign investor of Coal Based 1320-Megawatt Independent Power Producer (IPP), Rampal, Bagerhat for 10 years from the date of starting commercial operation [SRO 266-AIN/IT/2013 dated 30.07.2013]
- Income of the organization named "Surer Dhara" earned from the tuition fee of music training conducted under the activities of "Music for Development" [SRO 264-AIN/IT/2013 dated 30.07.2013]
- Interest income of "Sweden-Bangladesh Trust Fund" from Fixed or Savings deposit [SRO 181-AIN/IT/2013 dated 10.06.2013]
- Income of Bangladesh Lions Foundation earned from non-profit and medical service activities [SRO 06-AIN/IT/2013 dated 15.01.2013]
- Income earned only from providing medical services of THE ENT AND HEAD-NECK CANCER HOSPITAL AND INSTITUTE [SRO 320-AIN/IT/2015 dated 01.11.2015]
- Income of Pally Karmo Sohaiok Foundation [SRO 42-AIN/IT/2015 (23.02.2015)]
- Income of Society for Assistance to Hearing Impaired Children (SAHIC) [SRO 115-AIN/IT/2015 dated 06.06.2015]
- Income donated to the philanthropic institution named "Probin Kallyan Songstha" by an assessee [SRO 116-AIN/IT/2015 dated 04.06.2015]
- Income earned from providing medical services only by Chittagong Mother & Children Hospital [SRO 117-AIN/IT/2015 dated 04.06.2015]
- Income earned from providing medical services only by Kidney Foundation Hospital & Research Institute [SRO 160-AIN/IT/2015 dated 04.06.2015]
- Income of Lolit Mohan-Dhonoboti Memorial Foundation [SRO 12-AIN/IT/2016 dated 21.01.2016]

- The portion of the income of an assessee that is contributed to "Suchona Foundation" for the welfare of disable persons [SRO 87-AIN/IT/2016 dated 06.04.2016]
- The foreign workers working in the companies established in accordance to Bangladesh Economic Zone Act, 2010 [SRO 298-AIN/IT/2015 dated 08.10.2015]
- Certain benefits for the Developer, Company operating in accordance to Bangladesh Hitech Park Authority Act, 2010 [SRO 299, 300, 301, 302-AIN/IT/2015 dated 08.10.2015]
- Income of Excelsior Energy Bangladesh Limited (EEBL) involved in the Floating LNG Storage and Regasification Facility at Cox'sbazar under Build, Own Operate and Transfer (BOOT) method subject to fulfillment of certain conditions [SRO 102-AIN/IT/2017 dated 03.05.2017].
- Income of the Russian and Foreign workers and consultants working in Rooppur Atomic Electricity Power Generation Project for the tenure under construction [SRO 242-AIN/IT/2016 dated 25.07.2016]
- Income of Jatir Janok Bongobondhu Sheikh Mujibur Rahman Memorial Trust for 10 years, subject to fulfillment of certain conditions [SRO 234-AIN/IT/2018 dated 17.07.2018 later revised by SRO 358-AIN/IT/2018 dated 05.12.2018].
- Income of Khawaja Yunus Ali Medical College and Hospital, Sirajgonj, subject to fulfillment of certain conditions [SRO 227-AIN/IT/2018 dated 09.07.2018]
- Income of Japanese Contractors and employees engaged in the construction of The Kanchpur, Meghna and Gumi 2nd Bridges Construction and Existing Bridges Rehabilitation Project [SRO 226-AIN/IT/2018 dated 09.07.2018]
- Interest income from FDR and savings bank deposit of Bangabondhu Sheikh Mujib Medical University for 5 years [SRO 44-AIN/IT/2019 dated 14.02.2019]
- Interest income from FDR and savings bank deposit of Basharatullah Chowdhury Memorial Trust for 5 years [SRO 44-AIN/IT/2019 dated 14.02.2019]
- Income of Japanese Contractors and employees engaged in the construction of National Power Transmission Network Development Project [SRO 226-AIN/IT/2018 dated 09.07.2018]
- Income of Japanese Contractors and employees engaged in the construction of Dhaka Mass Rapid Transit Development Project [SRO 226-AIN/IT/2018 dated 09.07.2018].
- Income of Khaja Yunus Ali Medical College and Hospital, Sirajgonj [SRO 227-AIN/IT/2018 dated 09.07.2018]
- Interest income from FDR and savings bank deposit of Byanibazar Cancer & General Hospital for 5 years [SRO 14-AIN/IT/2019 dated 14.01.2019]
- Donation from members and income from providing meditation service of Quantum Foundation for 5 years [SRO 40-AIN/IT/2019 dated 11.02.2019]
- Tax on income from goods or services of the companies in Bangladesh Economic Zones, for year 1 to 3, 100%; for year 4, 80%; for year 5, 70%; for year 6, 60%; for year 7, 50%; for year 8, 40%; for year 9, 30%; for year 10, 20% [SRO 81-AIN/IT/2019 dated 19.03.2019]

- Income of three Japanese International Consultancy Organization, namely Koei Research & Consulting Inc., Nippon Koei Co. Ltd. and IC Net Limited engaged in Upazila Governance and Development Project (UGDP) [SRO 82-AIN/IT/2019 dated 19.03.2019]
- Income of Centre for Research and Information (CRI) [SRO 83-AIN/IT/2019 dated 19.03.2019]
- Income arising from "fees arising from loans" of SS Power I Limited under the implementation agreement among Government of the People's Republic of Bangladesh, Power Grid Company of Bangladesh Ltd. and SS Power I Limited [SRO 68-AIN/IT/2019 dated 13.03.2019]
- Income of AFC Health Limited [SRO 275-AIN/IT/2019 dated 24.09.2018]
- Income of two Japanese International Consultancy Organization, Nippon Koei Co. Ltd. & Oriental Consultants Global Co. Ltd engaged in Hazrat Shahjalal International Airport Expansion Project (I) [SRO 61-AIN/IT/2019 (06.03.2019)]
- Income of Japanese Contractor, "Kawasaki-Mitsubishi Consortium (KMC)" engaged in supplying stones, fixtures etc. for Dhaka Mass Rapid Transit Development Project (II) G [SRO 63-AIN/IT/2019 dated 06.03.2019]
- Income of two Japanese International Consultancy Organization, Nippon Koei Co. Ltd. & Tokyo Electric Power Service Co. Ltd engaged in Dhaka/Chittagong Main Power Grid Strengthening Project [SRO 131-AIN/IT/2019 dated 22.05.2019]
- Donation to Alhaj Ayesha Nur Welfare Foundation [SRO 276-AIN/IT/2019 dated 24.09.2018]
- Donation to Shanti Cancer Foundation [SRO 371-AIN/IT/2018 dated 24.12.2018]
- Income of Islamic Development Bank [SRO 372-AIN/IT/2018 dated 24.12.2018]
- Donation of Tajuddin Ahmed and Syed Johra Tajuddin Memorial Foundation for 5 years [SRO 373-AIN/IT/2018 dated 24.12.2018]
- Donation to Pandughar Hasina Khanom Foundation [SRO 360-AIN/IT/2018 dated 05.12.2018]
- Interest on any savings and fixed deposits in bank in the name of Begum Jebunnesa & Kazi Mahbubullah Social Welfare Trust for 5 years effective from 27th October, 2019 [SRO 337-AIN/IT/2019 dated 27.10.2019]
- Income of BUET Alumni Association [SRO 338-AIN/IT/2019 dated 27.10.2019]
- Donation to: Hope Worldwide Bangladesh [SRO 283-AIN/IT/2015 dated 03.09.2015]; Gofur, Marium, Sattar, Sakera Foundation (GMSS) [SRO 27-AIN/IT/2019 dated 29.01.2019]; BUET Alumni Association (BUETA) [SRO 338-AIN/IT/2019 dated 27.10.2019]
- Interest on any savings and fixed deposits in bank in the name of The Blue Sky Charitable Foundation for 5 years effective from 27th October, 2019 [SRO 339-AIN/IT/2019 dated 27.10.2019]
- Income of Tofael Ahmed Foundation [SRO 349-AIN/IT/2019 dated 04.11.2019]
- Contribution to the Asian University for Women by any individual, corporation or any entity will be deductible from their gross taxable income. [SRO 389-AIN/IT/2019 dated 15.12.2019]

- Income of Anjuman Mufidul Islam [SRO 386-AIN/IT/2019 dated 08.12.2019]
- Income arising from "PPP Contract for the development, dredging and maintenance of access channels, turning basins and anchorage and berthing areas for Payra Port through PPP" by Payra Dredging Company Limited, and the income foreign workers working in the project [SRO 390-AIN/IT/2019 dated 15.12.2019]
- Income of President Abdul Hamid Foundation for 10 years effective from December 18, 2019 [SRO 392-AIN/IT/2019 dated 18.12.2019]
- Income of Private Power Generation Company (Except Coal based Power Generation Company) from electricity generation business upto December 31, 2034 [SRO 05-AIN/IT/2020 dated 02.01.2020]
- Income of Monwara Islam-Tajul Islam Welfare Trust for 5 years effective from January 23, 2020 [SRO 23-AIN/IT/2020 dated 23.01.2020]
- Income of Aga Khan Fund for Economic Development (AKFED) subject to contribution of its profit to any non-profitable organization under Aga Development Networks [SRO 26-AIN/IT/2020 dated 26.01.2020]
- Interest on any savings and fixed deposits in bank in the name of Nakib-Al Mahbub Memorial Trust for 5 years effective from 26th January, 2020 [SRO 27-AIN/IT/2020 dated 26.01.2020]
- Donate Bangladesh Red Crescent Society [SRO 30-AIN/IT/2020 (03.02.2020)]
- Donation income of Maulana Hashmat Ullah Deobandi Foundation for 5 years effective from 3rd February, 2020 [SRO 31-AIN/IT/2020 dated 03.02.2020]
- Income of Consortium of Sumitomo Corporation, Toshiba Corporation and IHI Corporation engaged in Matarbari Ultra Super Critical Coal-Fired Power Project, Income of Japanese Contractors and Suppliers from Supply to this Project, Income of Japanese workers in this Project [SRO 32-AIN/IT/2020 dated 03.02.2020]
- Income of the District Sports Association, Divisional Sports Association, National Sports Federation, National Sports Council, and Bangladesh Olympic Association [SRO 21-AIN/IT/2020 dated 20.01.2021]
- Cash reward from lottery under EFDMS (Electronic Fiscal Device Management System) [SRO 29-AIN/IT/2021 dated 28.01.2021]
- Income of Asian Infrastructure Investment Bank (AIIB) subject to the fulfillment of the conditions under its Articles of Agreement [SRO 197-AIN/IT/2021 dated 10.06.2021]
- Income earned from welfare and service of Obstetrical and Gynecological Society of Bangladesh (OGSB) for 5 years effective from May 19, 2019, subject to the fulfillment of certain conditions [SRO 195-AIN/IT/2021 dated 09.06.2021]
- Income of Bangladeshi registered (local and joint venture) Active Pharmaceutical Ingredients Molecule and Solutions manufacturers subject to the fulfillment of certain conditions [SRO 316-AIN/IT/2021 dated 11.10.2021]
- Income of Special Purpose Vehicle (SPV) subject to the fulfillment of certain conditions [SRO 317-AIN/IT/2021 dated 11.10.2021]
- Income of OTJ Joint Venture (Obayashi Corporation-TOA Corporation-JFE Engineering Corporation) engaged in the construction of Bangabandhu Sheikh

- Mujib Railway Bridge Construction Project and Income of Japanese workers in this project effective from April 05, 2020 [SRO 110-AIN/IT/2022 (29.05.2022)]
- Income of IHI-SMCC Joint Venture (IHI Infrastructure Systems Co. Ltd Sumitomo Mitsui Construction Co. Ltd) engaged in the construction of Bangabandhu Sheikh Mujib Railway Bridge Construction Project and Income of Japanese workers in this project effective from April 05, 2020 [SRO 111-AIN/IT/2022 dated 29.05.2022]
 - Income earned from welfare and service of Bangladesh Thalassemia Foundation for 5 years effective from June 08, 2022, subject to the fulfillment of certain conditions [SRO 185-AIN/IT/2022 dated 08.06.2022]
 - Any income from interest on any savings and fixed deposits in bank, consultancy fee, and research fee of Suchona Foundation for 5 years effective from 19th June, 2023 [SRO 191-AIN/IT/2023 dated 19.06.2023]
 - Any receipt/allowance (including Lump Grant at the time of retirement) of government employees from government other than basic salary, festival allowance and bonus [SRO 225-AIN/IT-7/2023 dated 13.07.2023]
 - Research Grant received from any foreign organization by any university, college or research institutes for conducting research upto assessment year 2026-2027 [SRO 51-AIN/IT-28/2024 dated 13.03.2024]
 - Interest received by any depositor or non-resident Bangladeshi lender from the Offshore Banking Unit run under Offshore Banking Act, 2024 [SRO 100-AIN/IT-29/2024 dated 22.04.2024]
 - Any income (except interest, dividend, and capital gain) earned by the Oncology Club, Bangladesh; and Obstetrical and Gynaecological Society of Bangladesh (OGSB) for 3 years from July 01, 2024 [SRO 155-AIN/IT-30/2024 dated 29.05.2024]
 - Tax on income from goods or services of the companies from their operation in High Tech Parks established under Bangladesh High Tech Park Act, 2010, for year 1 to 7, 100%; for year 8 to 10, 70%; subject to fulfillment of certain conditions [SRO 245-AIN/IT-39/2024 dated 27.06.2024]
 - Tax on income from goods or services of the companies from their operation in Bangladesh Economic Zones, for year 1 to 3, 100%; for year 4, 80%; for year 5, 70%; for year 6, 60%; for year 7, 50%; for year 8, 40%; for year 9, 30%; for year 10, 20%; subject to fulfillment of certain conditions [SRO 264-AIN/IT-38/2024 dated 27.06.2024]
 - Any income of Investment Corporation of Bangladesh (ICB) Unit Fund [SRO 304-AIN/IT-45/2024 dated 02.09.2024]
 - Income of Grameen Bank upto December 31, 2029 [SRO 339-AIN/IT-47/2024 dated 09.10.2024]
 - Tax of renewable energy-based electricity generation companies, whose commercial application will start between July 01, 2025 to June 30, 2030, for year 1 to 5, 100%; for year 6 to 8, 50%; for year 9 to 10, 25% [SRO 339-AIN/IT-50/2024 dated 27.11.2024]

Tax Exempted Incomes (Tax free income) under Section 80

Following tax exempt incomes are included in the total income of an assessee for tax computation purpose. The assessee will be entitled to get rebate on tax at the average rate of tax for such income. They are:

- *Income from Association of Persons:* Any sum received by the assessee out of the income of an association of persons other than a Hindu Undivided Family, company or firm on which tax has already been paid.
- *Income from a Firm:* Any share of profit of a partnership firm if tax on such profit or income has already been paid by the firm.

In case of a firm, where income is derived by the exercise of a profession and depends wholly on the personal qualification of the partners, and if the partners are prevented by law to form a company, the income would not be taxable in the hands of the firm. The partners of the firm would be assessed considering the share of income of the firm. [SRO 181-L/99 dated 10.07.1999]

Deduction from Total Income [Section 77(2); Part 2 of the Sixth Schedule]

The following incomes will be deducted from total income computation of tax liability [Part 2, 6th Schedule]:

- Donation through bank transfer in the income year to –
 - Any fund established under the Prime Minister's Education Assistance Act, 2012 (Act No. 15 of 2012), upto the maximum limit of the lower between:
 - 10% of its income or Taka 8 crore, for company.
 - 10% of its income or Taka 1 crore, for other than company.
 - Any Girl's School or college that are approved by the Ministry of Education;
 - Ministry of Education approved Technical and Vocational Training Institutes;
- Donation through bank transfer to any national level institute related to the research and development of agriculture, science, technology and industry.

Incomes specified in **Part 2 of the Sixth Schedule** of the Income Tax Act, 2023 are to be deducted from the total income computation of income tax subject to the fulfillment of the following conditions under Section 77(2):

- Such donation related information has been reflected in the return and documents attached thereto;
- Total donation made under **Part 2 of the Sixth Schedule** does not exceed 10% of the total income before deduction of such donation amount;
- Detailed information regarding sources and amount of income has been furnished with the return.

3.12

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3.2
3.6

TAX CREDIT INCOME OR INVESTMENT ALLOWANCE

As per section 78 of the ITA, 2023, a **resident and non-resident Bangladeshi individual assessee** will get tax rebate from the amount of tax payable on his total income. Here the "rebate amount" shall be the lesser of:

- 3% of Total Income excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable.
- 15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3; or
- Tk. 10,00,000 (Ten Lac).

According to Part 3 of the Sixth Schedule, the following items should be considered as investment allowance to enjoy tax credit/rebate facility:

- **Life Insurance Premium Paid [Para 1]:** Any sum paid in Bangladesh by an assessee to affect an insurance or a contract for deferred annuity on the life of himself, spouse or minor child, provided that such payment of insurance shall not exceed 10% of the sum assessed excluding bonus or other benefits.
- **Life Insurance Premium Paid by a Hindu Undivided Family [Para 2]:** Any sum paid in Bangladesh by a HUF to effect an insurance on the life of any male member of the family or the wife of any such member.
- **Deduction from the salary of Government employee for deferred annuity [Para 3]:** Any sum not exceeding one-fifth of the salary deducted from the salary payable by the Government or on its behalf to any individual in accordance with the service conditions to secure a deferred annuity for him or for his wife or children.
- **Contribution to Provident Funds [Para 4]:** Any contribution by an assessee to any provident fund to which the Provident Fund Act, 1925 applies.
- **Employer's and Employee's contribution to a Recognized Provident Fund [Para 5]:** Any sum paid to a recognized provident fund by the assessee and the employer, where the assessee is a participant subject to the limits laid down in Part 3 of the 2nd Schedule.
- **Contribution to Superannuation Fund [Para 6]:** Any sum paid by the assessee as ordinary annual contribution to approved superannuation fund as a participant to the fund.
- **Investment in Savings Certificate [Para 7]:** Any sum invested in the following:
 - Government securities [as defined in Section 2(87)] not exceeding Tk. 5 lac.
 - Unit mutual fund certificates, ETF/Joint Investment Scheme Unit Certificate issued by financial institution or ICB and its subsidiaries, upto Tk. 5 lac;
 - Any amount not exceeding Tk. 120,000 by an individual in any Deposit Pension Scheme or Monthly Savings Scheme sponsored by a Scheduled Bank or a financial institution.
 - Any contribution to Universal Pension Scheme [SRO 295-LAW/IT- 17/2023 dated 31.10.2023].
- **Investment in stocks or shares by an individual in any stock exchange approved by the BSEC [Para 8]:** Any sum invested in the acquisition of any securities (shares of a company, mutual fund or debenture or bonds etc.) listed with any stock exchange run under BSEC.
- **Donation to a Charitable Hospital [Para 9]:** Any sum paid as donation to a charitable hospital established outside the city corporation, provided the donation is made after one year of establishment of the hospital.

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- **Donation to Organizations set up for the welfare of retarded people [Para 10]:** Any sum paid as donation to an organization set up for the welfare of retarded people, provided the donation is made after one year of establishment of the organization and is approved by the Social Welfare Department and the NBR.
- **Donation to Zakat Fund [Para 11]:** Any sum paid by an assessee as Zakat to the Zakat Fund or charitable fund established by or under the Zakat Fund Management Act, 2023 (Act No. 5 of 2023).
- **Contribution to Benevolent Fund and Group Insurance Scheme [Para - 12]:** Any sum paid by an assessee to make provision for his spouse, children or other dependent person to a benevolent fund or any premium paid under a group insurance scheme approved by the NBR.
- **Contribution to Philanthropic or Educational Institution [Para 13]:** Any sum paid by an assessee as donation to Philanthropic or Educational Institution approved by the government for this purpose.
- **Donation to national level institution set up in memory of the liberation war [Para 14]:** Any sum paid by an assessee as donation to a national level institution set up in memory of liberation war.
- **Donation to national level institution set up in memory of Father of the Nation [Para 15]:** Any sum paid by an assessee as donation to a national level institution set up in memory of Father of the nation.
- **Contribution to Bangladesh Universal Pension Scheme formed under the Universal Pension Management Act, 2023.**
- **Contribution to Ahsania Mission Cancer Hospital [SRO 202/IT/2005 dated 06.07.2005]**
- **Donation to The International Centre for Diarrhoeal Disease Research, Bangladesh (ICDDR,B) [SRO 232/IT/2006 dated 24.09.2006]**
- **Donation to Centre for the Rehabilitation of the Paralysed (CRP), Savar [SRO 42-AIN/IT/2008 dated 24.02.2008]**

EXHIBIT

3.1

Tax Rebate on Investments: Few Illustration

Case 1: Mr. Tareq's total income is Tk. 12,00,000 in the current income year. His actual investment as per sixth schedule part 3 is Tk. 280,000. Here, the tax rebate will be lower of (a), (b) and (c):

- (a) 3% of Total income (12,00,000 × 3%)
- (b) 15% of actual investment allowance as per 6th Schedule, Part 3 (2,80,000 × 15%)
- (c) Tk. 10,00,000

Tk.	36,000
	42,000
	10,00,000

So, the eligible amount of tax rebate is Tk. 36,000.

Case 2: Mr. Belal's total income is Tk. 22,00,000 in the current income year. His actual investment as per sixth schedule part 3 is Tk. 600,000. Here, the eligible amount of tax rebate will be lower of (a), (b) and (c):

- (a) 3% of Total income (22,00,000 × 3%)
- (b) 15% of actual investment allowance as per 6th Schedule, Part 3 (6,00,000 × 15%)

Tk.	66,000
	90,000

(c) Tk. 10,00,000

So, the eligible amount of tax rebate is Tk. 66,000.

Case 3: Mr. Rafiq's total income is Tk. 18,00,000 (including Tk. 350,000 income from fisheries project on which reduced tax rate is applicable) in the current income year. His actual investment as per sixth schedule part 3 is Tk. 200,000. Here, the eligible amount of tax rebate will be lower of (a), (b) and (c):

(a) 3% of total income excluding any income for which a tax exemption or a reduced rate or minimum tax is applicable i.e. $\{(18,00,000 - 350,000) \times 3\%$

or minimum tax is applicable i.e. per 6th Schedule, Part 3 $(2,00,000 \times 15\%)$

(b) 15% of actual investment allowance as per 6th Schedule, Part 3

(c) Tk. 10,00,000

So, eligible amount of tax rebate is Tk. 30,000.

Case 4: Mr. Sumon's total income is Tk. 22,00,000 in the current income year. He has made the following investments and contributions during the income year and claimed for tax rebate. Compute tax rebate on the allowable investments for the year.

- Contribution of life insurance premiums: For own Tk. 25,000 (Policy value Tk. 200,000); For spouse Tk. 15,000 (PV Tk. 200,000); For his father Tk. 18,000 (PV Tk. 200,000).
- He has contributed 10% of his basic salary to the recognized provident fund and his employer has also contributed the same. The annual basic salary for the income year is Tk. 480,000.
- He has purchased 5-year Bangladesh Savings Certificate (Sanchaypatra) Tk. 200,000.
- He has contributed Tk. 5,000 per month to a Deposit Pension Scheme (DPS) opened in Sonali Bank.
- He has contributed Tk. 30,000 to the Bangladesh Government's Zakat Fund.
- Donated Tk. 5,000 to the Bangladesh MuktiJuddho Jadugar (Liberation War Museum).
- He has made the following investments in the Dhaka Stock Exchange (Through IPO Tk. 20,000; Purchase of secondary shares of public limited companies Tk. 15,000; Purchase of debentures Tk. 5,000, Purchase of shares of a mutual fund Tk. 8,000 & zero-coupon bond Tk. 10,000)
- He has purchased additional shares from a private limited company Tk. 15,000; a co-operative society Tk. 10,000; and a partnership firm Tk. 20,000. He also purchased Gold Tk. 200,000 and land Tk. 400,000
- Contribution to Charitable Hospital in Feni Tk. 20,000, in Dhanmondi, Dhaka 30,000.
- Contribution to Red Crescent Society Tk. 40,000

Here, Eligible amount of tax rebate will be lower of (a), (b) and (c):

(a) 3% of Total income $(22,00,000 \times 3\%)$

(b) 15% of actual investment allowance as per 6th Schedule, Part 3 $(5,44,000 \times 15\%)$

(c) Tk. 10,00,000

So, the eligible amount of tax rebate is Tk. 66,000.

Note: (1) Life insurance premium paid for father is not an investment allowance. (2) Purchase of private limited company, co-operative society and firm's share is not investment allowance. (3) Purchase of gold and land are not investment allowance. (4) Donation to charitable institutions in city corporation area is not investment allowance

Workings: Actual investment allowance as per sixth schedule, Part 3:

Life insurance premium paid:

Own Tk. 25,000 (Max. limit 10% of policy value i.e., Tk. 20,000)

Spouse Tk. 15,000 (Max. limit 10% of policy value i.e., Tk. 20,000)

Employee's contribution to Rec. Prov. Fund $(480,000 \times 10\%)$

10,00,000

Tk.	43,500
	30,000
	10,00,000

Tk.	66,000
	81,600
	10,00,000

Income Tax-10(A)

Employer's contribution to Rec. Prov. Fund $(480,000 \times 10\%)$
 Purchase of 5-year Bangladesh Sanchaypatra
 DPS @ Tk. 5,000 per month i.e., Tk. 60,000 (Max. limit Tk. 120,000)
 Contribution to Govt. Zakat Fund
 Donated to the Bangladesh MuktiJuddho Jadugar
 Investment in Dhaka Stock Exchange: $(20,000 + 15,000 + 5,000 + 8,000 + 10,000)$
 Contribution to Charitable hospital in Feni
 Contribution to Red Crescent Society
 Total investment

	48,000
	200,000
	60,000
	30,000
	5,000
	58,000
	20,000
	40,000
Tk.	544,000

Case 5: Mrs. Sumona's total income is Tk. 14,00,000 in the current income year. She has made the following investments and contributions during the income year and claimed for tax rebate.

- Contribution of life insurance premiums: For own Tk. 25,000 (Policy value Tk. 200,000); For 20 years old son Tk. 15,000 (Policy value Tk. 200,000); For 16 years old daughter Tk. 12,000 (Policy value Tk. 100,000); For her mother Tk. 18,000 (Policy value Tk. 200,000).
- She has contributed 10% of his basic salary to the unrecognized provident fund (URPF) and Tk. 30,000 to his Office welfare Fund. The annual basic salary for the income year is Tk. 480,000.
- She has purchased 3-year monthly profit-based Bangladesh Savings Certificate (Sanchaypatra) Tk. 200,000.
- Purchase of Land Tk. 200,000 & Gold Tk. 100,000
- Contributed Tk. 4,000 per month to a DPS in Dhaka Bank and Tk. 200,000 in FDR of Rupali Bank Limited.
- Donated Tk. 5,000 to a local kindergarten school and Tk. 10,000 to Baitul Mukarram Mosque
- Contribution to Bangabandhu Memorial Museum Tk. 20,000 and to government zakat fund Tk. 25,000
- Paid Tk. 100,000 as the Tuition fee for her university admitted son.
- Purchase prize bond of Tk. 10,000 and membership of Dhaka Club Tk. 200,000
- Purchase of government treasury bill Tk. 100,000

Here, Eligible amount of tax rebate will be lower of (a), (b) and (c):

(a) 3% of Total income $(14,00,000 \times 3\%)$

(b) 15% of actual investment allowance as per 6th Schedule, Part 3 $(4,23,000 \times 15\%)$

(c) Tk. 10,00,000

Tk.	42,000
	63,450
	10,00,000

So, eligible amount of tax rebate amount will be Tk. 42,000.

Note: Life insurance premium paid for non-minor child (i.e., more than 18 years old), contribution to URPF, contributed to Office Welfare Fund, purchase of gold and land, donation to local kindergarten school, investment in FDR, Dhaka Club membership, payment of university tuition fee for children, purchase of prizebond, and donation to Baitul Mokarram Mosque is not allowable investment for tax rebate.

Workings: Actual investment allowance as per sixth schedule, Part B:

Life insurance premium paid:

Own Tk. 25,000 (Maximum: 10% of policy value i.e., Tk. 20,000)

16 yr daughter Tk. 12,000 (Maximum: 10% of policy value i.e., Tk. 10,000)

Purchase of 3-year Bangladesh Sanchaypatra

DPS @ Tk. 4,000 per month i.e., Tk. 48,000 (Mx. limit Tk. 120,000)

Contribution to Bangabandhu Memorial Museum

Contribution to government zakat fund

Purchase of government treasury bill

Tk.	20,000
	10,000
	200,000
	48,000
	20,000
	25,000
	100,000
Tk.	423,000

Identify the following items as either tax credit income or tax exempted income: Income from property under trust, Income of a local government, Contribution to recognized provident fund, gratuity, Investment in savings certificate and Purchase of primary share.

3.13

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3.7

TAX HOLIDAY SCHEME

It is one kind of special scheme taken by NBR to enhance rapid industrialization in Bangladesh. Under this, some specific newly established industrial undertakings are given exemption from payment of income tax upto a certain period subject to the fulfillment of some conditions. As per section 15(b) of the ITO, 1922, Tax Holiday Scheme was first introduced in Pakistan in 1959. After the independence of Bangladesh, this scheme was repealed in 1972 by an ordinance. But again, to boost rapid industrialization in the country, this scheme has again re-introduced in 1974 introducing Sec. 14(a) in the ITO, 1922. In the ITO, 1984, the government retained the scheme as per section 45, 46 and 47. Considering its importance, in the new Income Tax Act 2023 the scheme has also been retained in Chapter 3 of Part 6 (Sections 81-85) and Part 4 of Sixth Schedule. The main objectives of this scheme are to encourage the formation of domestic capital as well as attracting FDI to enhance the rapid industrialization of the country.

Industrial Undertakings eligible to avail the Tax Holiday [Part 4, 6th Schedule, Para 1]

As per Para 1, Part 4 of the 6th Schedule, for the purpose of the tax holiday the following nature of "Industrial undertaking" engaged -

- ☐ in the production of: active pharmaceuticals ingredient industry and radio pharmaceuticals industry; agricultural machineries; automatic bricks; automobile; barrier contraceptive and rubber latex; basic components of electronics (e.g. resistor, capacitor, transistor, integrator circuit, multilayer PCB, etc.); bi-cycle including parts thereof; bio-fertilizer; biotechnology based agro products; boiler including parts and equipment thereof; compressor including parts thereof; computer hardware; furniture; home appliances (blender, rice cooker, microwave oven, electric oven, washing machine, induction cooker, water filter etc.); insecticides or pesticides; leather and leather goods; LED TV; locally produced fruits and vegetable processing; mobile phone; petrochemicals; pharmaceuticals; plastic recycling; textile machinery; tissue grafting; toy manufacturing; tyre manufacturing; electrical transformer; artificial fiber or manmade fiber manufacturing; automobile parts and components manufacturing; automation and robotics design, manufacturing including parts and components thereof; artificial intelligence based system design and/or manufacturing; nanotechnology based products manufacturing; aircraft heavy maintenance services including parts manufacturing.
- ☐ processing and preservation of locally produced fruits and vegetable;

- ☐ tissue grafting, development of organic technology and radioactive (diffusion) application industry (i.e. development of polymer or annihilation of polymer or food preservation or sterilization of medical items)
- ☐ Any other industrial undertaking as specified by the board through SROs.

But for the purpose of this section, the abovementioned industrial undertakings must be set up in Bangladesh and starts its commercial operation between 1st July, 2020 to 30th June, 2025 (both days inclusive).

Exempted incomes of Industrial Undertaking's eligible to avail the Tax Holiday [Part 4, 6th Schedule, Para 2]

As per Para 1 of Part 4, 6th Schedule, the income, profits or gains of an industrial undertaking set up in Bangladesh between specified periods are eligible for tax holiday subject to fulfillment of specified conditions. Income earned from any other sources (not included in Para 1) will not be considered for this purpose. It is provided that any industry engaged in the production of abovementioned items in city corporation areas or Paurashavas of district headquarters, Rangamati, Bandarban and Khagrachari will not be eligible for tax holiday scheme. Tax Holiday option will be available for the industrial undertakings situated in:

- ☐ **For 10 years** - Districts of other divisions excluding Dhaka and Chittagong (excluding City Corporation area), Rangamati, Bandarban and Khagrachari districts:

Year	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
Exemption Rate	90%	90%	75%	75%	50%	50%	50%	25%	25%	25%

- ☐ **5 Years exemption:** Dhaka and Chattogram divisions (except City Corporation area)

Year	1 st	2 nd	3 rd	4 th	5 th
Exemption Rate	90%	80%	60%	40%	20%

Conditions for Approval of Tax Holiday for Industrial Undertakings and Physical Infrastructure Facility [Section 81]

The profits and gains of the industries enjoying tax holiday will be computed in the same manner as is applicable to income chargeable under the head "Income from business" subject to the fulfillment of the conditions specified in Part 4 of the 6th Schedule and under Chapter 3 of Part 6 in the ITA, 2023 [S 81(1)]. Incomes eligible for tax holiday will not be included in the total income of the assessee, but should be shown in the respective part of the return [S 81(2)]

However, as per section 81(3) the conditions to avail tax holiday facility for an industrial undertakings or physical infrastructure facility are:

- ☐ That the industry is owned and managed by-

- a body corporate established by or under an Act of Parliament with its head office in Bangladesh.
- A company as defined in the Companies Act, 1913 or 1994 with its registered office in Bangladesh and having a subscribed and paid-up capital of not less than Tk. 20 lac on the date of commencement of commercial production or operation.
- ☐ That the said undertaking is not formed by splitting up or by reconstruction or reconstitution of business already in existence,
- ☐ The said undertaking is not formed by transfer to a new business of any machinery or plant used in business which was being carried on in Bangladesh at any time before the commencement of the new business.
- ☐ That the said undertaking has (a) take TIN; (b) maintained accounts according to the prescribed manner of this ACT; (c) maintained separate books of accounts.

Approval Procedure of Tax Holiday by the Board [Section 82]

A business entity shall apply in the prescribed manner within a period of not more than 6 months from the commencement of its commercial activities for availing of tax holiday benefits. The NBR shall make its decision within 60 days from the date of receipt of the application failing which the undertaking shall be deemed to have been approved for tax holiday temporarily but final approval by the Board is required to be considered as an entity eligible for tax holiday. Provided that the Board shall not reject an application without giving the applicant a reasonable opportunity of being heard. If any person is aggrieved by the Board's decision, an application may be made within four months from the date of receipt of the Board's decision for revision of its previous decision/order. The Board may pass such order in relation thereto as it thinks fit.

Transaction with Associated Entities [Section 83]

Where an undertaking enjoying tax holiday is engaged in any commercial transaction with another associated entity undertaking or company, and during the course of making an assessment of the said undertaking if the DCT is satisfied that –

- ☐ the transaction has not been settled in fair market value; and
- ☐ due to such transaction, the income of the said sister concern undertakings has been understated compared to the real income,

said understated amount of the sister concern's income shall be considered as the income of the undertaking enjoying tax holiday and to be shown under "Income from Other Sources" [Section 83(1)]. For the purposes of this Section 83,

- ☐ Any entity will be considered as the "Associated Entity" of the undertaking enjoying tax holiday, if-
 - Any entity, directly or indirectly, or by one or more intermediaries, participates in the management or control or equity of another entity; or
 - Same person or persons, couple and descendants, directly or indirectly or by one or more intermediaries, participate in the management or control or equity of both the entities.

- Any entity, directly or indirectly, controls more than 25% of the shares of another entity; or
- Same person or persons, couple and descendants, directly or indirectly, controls more than 25% of the shares of both the entities; or
- Both the entities are members of the same group.
- ☐ Fair market value means the price would ordinarily be fetched on sale in the open market between two unrelated parties.
- ☐ "Entity" will also include "Individual".

Determination of Income of an Industry Enjoying Tax Holiday [Section 84]

In this regard the following factors should be considered.

- ☐ The profits/gains of the said undertaking shall be computed separately from other income, profits and gains of the assessee.
- ☐ the income, profits and gains of the undertaking to which this section applies shall be computed in the same manner as is applicable to income chargeable under the head "Income from business"
- ☐ In respect of depreciation, only the allowances for normal depreciation specified in Part I of the Third schedule shall be allowed.
- ☐ Where the assessee sustains a loss from such undertaking, it shall not be set off against the profits and gains of the said undertaking's unit on which no tax holiday is allowed.
- ☐ Tax holiday exemption shall not be applicable for any income of the said undertaking resulting from disallowance made under section 55, and tax will be applied at regular rate on such incomes.

Withdrawal and Cancellation of Exemptions [Section 85]

As per section 85, for the following reasons the tax exemption facility can be withdrawn or cancelled by the NBR:

- ☐ Where any tax holiday exemption is allowed and in the course of making assessment, the DCT is satisfied that any of the relevant conditions in this regard are not fulfilled, the exemption will stand withdrawn for the relevant assessment year and the DCT may determine the tax payable for such year in regular manner and rates.
- ☐ Any such undertaking approved under this section may, not later than one year from the date of approval, apply in writing to the Board for the cancellation of such approval, and the Board may pass such orders thereon as it may deem fit.
- ☐ The Board in the public interest may cancel or suspend fully or partially any exemption allowed under this section.

Exemption of Income of Co-operative Societies [Section 79]

Tax shall not be payable by a co-operative society in respect of –

- ☐ the entire income from business carried on by it, if it is engaged in:-
 - producing agricultural commodities;

- operation of cottage industry;
- marketing of agricultural produce of its members;
- **Explanation** - For the purpose of this section, - "cottage industry" means an enterprise, not being owned by a joint stock company which fulfils the following conditions, namely: -
 - it is basically an enterprise in which the owner is the investor, a full-time worker and the actual entrepreneur;
 - the capital invested in plant, machinery and equipment does not exceed 25 [twenty five lakh taka] at any time during the income year;
 - the number of workers, including the owner and the members of his family, shall not exceed 15 [fifteen].

Tax Holiday at Export Processing Zone (EPZ)

To enhance the economic development and industrialization in the country, Bangladesh government has passed the Bangladesh Export Processing Zones Authority Act in 1980. As per section 10 of this act, the government can declare a specific area which is set to establish industries as Export Processing Zone (EPZ).

Income of any industry set up in any EPZ will enjoy tax exemption facilities at specified rates for several years from the date of commencement of commercial production of the said industry. The exemptions have been granted to the industries set up in any EPZ under the notifications issued by the Internal Resources Division of the Ministry of Finance through various S.R.Os. The special facilities for establishment of Industry in EPZ are:

- **Exemption of income of any industry set up in any Export Processing Zone [S.R.O. No. 219-LAW/IT/2012 dated 27th June, 2012]:** Income of any industry set up in any EPZ declared u/s 10 of BEPZA Act, 1980 has been exempted for a period of 5 to 7 years from the date of commencement of commercial production of the said industry (established on January 01, 2012 and onwards) as follows:

Exemption Rate		
5 years exemption: Dhaka & Chittagong divisions (excluding Rangamati, Bandarban and Khagrachari)	For the first 2 years	100% of income
	For the 3 rd year	50% of income
	For the 4 th year	50% of income
	For the 5 th (last) year	25% of income
7 years exemption: Other divisions and Rangamati, Bandarban and Khagrachari districts	For the first 3 years	100% of income
	For the next 3 years	50% of income
	For the 7 th (last) year	25% of income

These organizations must maintain proper accounts and submit income tax return within stipulated time.

Accelerated depreciation upto 100% for plant or machinery used in specified hi-tech electronic industry [S.R.O. No. 269-L86 dated 1st July, 1986]: Machinery or Plant other than office appliances and road transport vehicles (not having been previously used in Bangladesh) used in the specified hi-tech electronic industry set up in any of the EPZs shall be allowed to enjoy Accelerated depreciation upto 100% of the cost within the tax exemption period subject to submission of the application for such facility to the NBR within four months of the installation of machinery or plant.

3.14

CLO
3.8

TAX REBATE ON CSR RELATED EXPENDITURES

10% rebate is allowed to the corporate organizations on their corporate social responsibility related expenditures subject to the fulfillment of some prescribed conditions. The scope areas of the corporate social responsibility (CSR) to avail this rebate are as follows if any contribution is made to any organization engaged in: (SRO 229-AIN/IT/2011 dated 04.07.2011 later updated by SRO 223-AIN/IT/2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01.07.2014)

- Donation through any government bodies to the people of areas affected by natural calamities like Cyclone, Earthquake, Hurricane, Flood etc.
- Old home foundation and management,
- Welfare of mentally or physically disable people,
- Educational institution for street / homeless children,
- building houses for people living in slums,
- Donation to social organizations involved in building public awareness about women-right and dowry system,
- Donation to social organizations performing welfare of orphan/homeless children,
- Donation to organizations involved in research about liberation war, campaign to uphold the spirit of liberation war and welfare of freedom fighters,
- Improving sewerage facilities in Chittagong hilltract, alluvial land, river breakage areas.
- Donation to organizations give treatment of hare-lipped, cataract, cancer, leprosy.
- Donation to organizations serving treatment to the Acid Victims,
- Specialized hospital established for serving the poor people (free medical facilities) and improving quality e.g., Cancer, Liver, Kidney, Thalasemia, Eye and Cardio.
- Donation to public universities;
- Donation for promoting technical and vocational education for poor meritorious students through any government approved educational institution;
- Donation to government or MPO included Private educational institution to establish lab and arrange training for IT, Computer and English education;
- Donation to the organizations engaged in promoting technical and vocational education for unskilled or semi-skilled workers for manpower export;
- Donation to organizations engaged in infrastructure development and training for national sports level.
- Donation to built or under constructed national level museums established in the memory of the liberation war.

- ☐ Donation to any national level institution set up in memory of Father of the Nation;
- ☐ Donation to the non-profitable organizations established for treatment, increasing awareness and rehabilitation of HIV, AIDS or intoxication affected people.
- ☐ Donation to the non-profitable private organizations established for the welfare of women and children saved from human trafficking.
- ☐ Donation to government approved fund established for any unique disaster/ catastrophe or arranging any tournament or national event.

Conditions for Tax Rebate on CSR Related Expenditures

To avail the 10% tax rebate on CSR related expenditures, an organization has to fulfill the following conditions: (SRO 229-AIN/IT/2011 dated 04.07.2011 later updated by SRO 223-AIN/IT/2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01.07.2014)

- ☐ Maximum limit of the CSR expenditure, on which rebate will be allowed, will be 20% of the total income of the company or Tk. 12 crore, whichever is lower.
- ☐ It should pay salary and wages to its employees regularly and if it is a manufacturing unit it must have waste treatment plant or ETP.
- ☐ The firm must pay the relevant taxes like Income tax, VAT etc. and loan installment on a regular basis.
- ☐ It can only contribute to government approved organizations.
- ☐ The organization must submit the relevant documents to the DCT regarding the expenditure.
- ☐ It must comply with the provisions of the Bangladesh Labor Law, 2006.
- ☐ This expenditure cannot be considered as admissible expenses in the books of accounts;
- ☐ The donation for CSR activities must be paid through banking channel by a company.
- ☐ This SRO will be applicable from the assessment year 2014-15.

Example: X Ltd, a private limited co, has presented the following information:

Total expenditure on CSR activities	Tk. 1 crore
Net income as per audited income statement	Tk. 10 crore
Corporate tax rate	27.5%

Here, total income for assessment purpose is (10 + 1)
(CSR expenditure is inadmissible expense, so added back with Net Income)

Gross Tax liability on the basis of regular rate* (11 crore × 27.5%) 3.025 crore

Maximum limit of the CSR expenditure, on which rebate will be allowed:

20% of the total income of the company (11 × 20%)	2.20 crore	2.20 crore
Or. Tk. 12 crore, whichever is lower	12.00 crore	

Tax rebate: Since the company's actual CSR expenditure (Tk. 1 crore) is less than the maximum limit (Tk. 2.2 crore), it will get 10% rebate on CSR expenditure of Tk. 1 crore

Net tax (Gross Tax less Tax Rebate) = Tk. 3.025 crore – Tk. 10 lac 2.925 crore

* Assuming that the tax liability is more than minimum tax amount applicable for a company.

KEY POINTS

- ☐ Periodical monetary return coming in with some sort of expectation and definite sources is income.
- ☐ Income must come from outside and must be earned but may have already been received or not.
- ☐ The distinction between capital and revenue nature of income is important for the purpose of income tax as income tax is basically charged on income with revenue nature.
- ☐ For a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh is to be included in the total income.
- ☐ The term "Total World Income" is relevant for a non-resident only as non-resident assessee pays tax on income earned in Bangladesh at the rate applicable to his total world income.
- ☐ Tax rebate is allowed of an amount equal to lesser of lesser of: (a) 3% of Total Income excluding any income on which a tax exemption or a reduced rate or minimum tax rate is applicable; (b) 15% on total amount of investment allowance or contribution made by the assessee within the scope of the Sixth Schedule, Part 3; or (c) Tk. 10,00,000
- ☐ Some types of income are included in total income, but tax rebate is granted on these incomes at an average rate is commonly known as tax free income.
- ☐ Residential Income from property held under trust, the income of a Local government, pension, gratuity etc are example of tax-free income as stated in sixth schedule part – 1 of the ITA, 2023.
- ☐ An assessee can get tax rebate on certain investments as mentioned in sixth schedule part – 3 of the ITA, 2023.
- ☐ Assessment of income is basically done under different heads specified u/s 30.

MULTIPLE CHOICE QUESTIONS

- According to section 2(13) of Income Act, 1984 income includes any income, profit or gain that is chargeable to tax under any head specified in section –
(a) 2 (b) 30 (c) 15 (d) 21
- Followings are the example of capital receipts except –
(a) sale of land (b) compensation for termination of job
(c) compensation for loss of goods in transit (d) insurance claim against loss of capital asset
- Followings are the example of capital expenditure except –
(a) cost of reconstructing business premises (b) repair expenses of machineries
(c) purchase of mining rights (d) acquisition of the goodwill of any business
- Which of the following is not included in the total income of a non resident?
(a) Income received in Bangladesh
(b) Income accrues or arises or deemed to accrue or arise in Bangladesh
(c) Income accrues or arises outside Bangladesh

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- (d) Income deemed to be received in Bangladesh
5. The concept of 'total world income' is relevant for -
 (a) resident assessee (b) all non resident assessee
 (c) non resident Bangladeshi assessee (d) non resident foreigner assessee
6. Which of the following items is not a deemed income?
 (a) Medical allowance got from the employer (b) Unrecorded investments
 (c) Income from discontinued business (d) Cancellation of indebtedness
7. To calculate tax rebate, an assessee considers ----- on allowable investments
 (a) 5% (b) 7.50% (c) 10% (d) 15%
8. Following items as specified in Part 1 of Sixth Schedule are exempted from tax except -
 (a) income from property held under trust (b) the income of a Local government
 (c) pension (d) festival bonus
9. Under no circumstances tax rebate on investment allowance may exceed -
 (a) 15% on investment (b) Tk. 10,00,000 (c) 3% of TI (d) None
10. life insurance premium is an allowable investment but shall not exceed _____ of policy value.
 (a) 15% (b) 12.50% (c) 10% (d) none of these

TRUE (T) OR FALSE (F) IDENTIFICATION

- Legality is not an important factor to consider an item as income.
- Compensation received for harmful effect of a trading asset is a capital receipt.
- Contribution to a Recognized Provident Fund is an allowable investment.
- Contribution to Muktijuddho Jadughar is an allowable investment.
- Pension is exempted for tax.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ3.1 Define income as per section 2(13) of the ITA and also identify the characteristics of income.
- DQ3.2 "Nature of income or expenditures needs to understand to apply income tax law against an assessee" - do you agree? Explain.
- DQ3.3 Explain the factors determine (capital or revenue) nature of income and expenditure?
- DQ3.4 Classify income based on locality and explain each class of income.
- DQ3.5 Explain the effect of tax-free income and tax credit income on total income and tax liability?
- DQ3.6 What is causal and non-recurring income? Explain both assessable and non-assessable causal and non-recurring income with example.
- DQ3.7 What are the contents of the Sixth Schedule of the ITA, 2023? Do you think these contents are important to assess tax liability of an assessee? Explain.

ANSWERS**MULTIPLE CHOICE QUESTIONS**

1	2	3	4	5	6	7	8	9	10
b	c	b	c	b	a	d	d	b	c

TRUE/FALSE

1	2	3	4	5
T	F	T	T	T

SELF - REVIEW 3.1**Characteristics of Income**

- ☐ Periodical monetary return coming in with some sort of expectation and definite sources.
- ☐ Income must come from outside.
- ☐ Income must be earned but may have already been received or not.

Compensation received from golden handshake is a capital receipt because it is not recurring in nature whereas compensation received for goods lost in transit is a revenue receipt as it can be recurring.

Furniture purchased for use is capital expenditure because it will provide long term benefit whereas furniture purchased for resale is revenue expenditure as it will not be used and so look like an operating transaction of a business.

SELF - REVIEW 3.2**Tax Credit Income**

- ☐ Contribution to RPF
- ☐ Investment in savings certificate
- ☐ Purchase of primary share

Tax Exempted Income

- ☐ Income from property under trust
- ☐ Income of a local government
- ☐ Gratuity

4

Income Tax Authority

"Taxation according to income is the most effective instrument yet devised to obtain just contribution from those best able to bear it and to avoid placing onerous burdens upon the mass of our people."
— Franklin Roosevelt

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

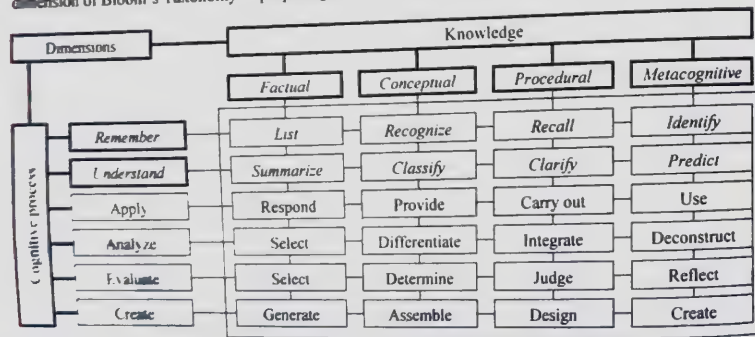
- CLO 4.1 understand the concept of income tax authority
- CLO 4.2 identify basic structure of income tax administration
- CLO 4.3 classify different types of income tax authority
- CLO 4.4 recognize the powers of income tax authority
- CLO 4.5 identify the functions of appellate tribunal
- CLO 4.6 list the sections applicable to the income tax authorities
- CLO 4.7 recall the importance of income tax authority

KEY TERMS

Income tax authority, National Board of Revenue, Delegation of powers, Administrative authorities, DCT, Judicial authorities

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the first two levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



4.1

CLO
4.1
4.2

INTRODUCTION

Income tax authorities hold the sole responsibility to execute the laws relating to income tax applicable in the land and to run various departments formed for streamlining the functions like identification of assessee; computation of taxable income, net tax liability; receiving application in this regard and appeal, listening to complains, hearings; even changing or amending or repealing various sections etc. To ensure efficient administration and to discharge executive and other appellate functions, certain necessary provisions are constituted in the ITA, 2023.

Part 2 (Sections 4 - 12) of the IT Act, 2023 deals with the appointment, power, and responsibilities of various income tax authorities with their respective authority - responsibility relationships. The implementation of the provisions of the IT Act, 2023 lies in the hands of these authorities.

The exercise of powers and functions are based on the designation of certain authorities under several posts in the structure. Bangladesh Tax Administration is always changing as the ecosystem in which it operates becomes broader and deeper, mostly owing to the vast increase in digital information flows. Tax administrations are responding to these challenges through the introduction of new technology and analytical tools under several reform initiatives. The government of Bangladesh has made tax reform a major priority for the country as it seeks to achieve its development goals through ensuring a more efficient, transparent, and service-oriented tax system.

4.2

CLO
4.1
4.2

APPOINTMENT OF INCOME TAX AUTHORITIES

The National Board of Revenue (NBR) as the apex body enjoys the power to appoint income tax authorities in accordance with the provisions of the IT Act, 2023 subject to the rules and orders of the government regulating the terms and conditions of service of persons in public services and posts. The board may appoint Chief Commissioner of Taxes, Director General - Inspection, Commissioners (Appeals), Commissioners (Large Taxpayer Unit), Director General - Training, Director General - Central Intelligence Cell, Commissioners, Additional Commissioners, Joint Commissioners of Taxes, Deputy Commissioners of Taxes, Tax Recovery Officers, Assistant Commissioners of Taxes, Additional Assistant Commissioners of Taxes and Tax Inspectors [U/s 4].

Income Tax Authority will be appointed based on the applicable acts and rules. The Board may, based on the applicable rules, appoint and post person(s) to perform administrative functions as income tax authority. The Board may also, subject to the organogram, appoint a necessary number of employees in this regard [U/s (5)]. The Board may also, through its order, delegate the power of one authority to another authority. Subject to such orders or instructions as the Board may, issue rules regarding the delegation and control of the income tax authorities [U/s 6].

4.3

CLO
4.3

TYPES OF INCOME TAX AUTHORITIES

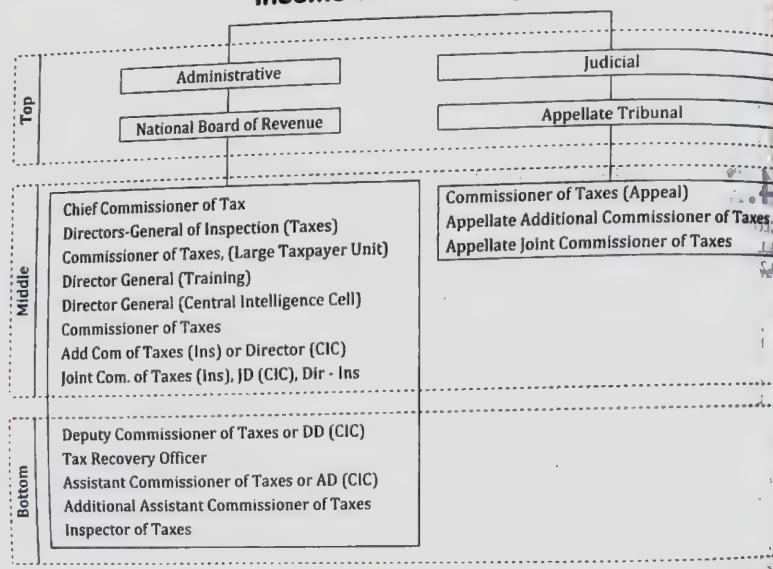
For effective financial management it is imperative to understand the functioning, the powers, and the limitation on the powers of tax authorities. The Income Tax authorities are required to exercise their powers and perform their functions so as to prevent harassment of assesses, tax-evasion, unnecessary discrimination in collection of taxes etc. It is a joint role of all these authorities that tax payer abides by the rule mentioned in the ITA 2023 and pay their taxes accordingly. In Bangladesh, income tax authorities may be classified into two major functional groups depending on their functions, namely, administrative and judicial.

- **Administrative:** To look after the total administration of income tax wing starting from the identification of assessee to the collection of taxes from them.
- **Judicial:** To hear the claims of the aggrieved assessee and to give them the verdict as early as possible.

EXHIBIT

4.1

Income Tax Authority



These two authorities with office bearers are depicted in the above chart in order of their respective power, authorities, and responsibilities:

4.4

CLO
4.3

RESPONSIBILITIES, ACTIVITIES, AND JURISDICTION

Member (Tax)

According to Section 8(1) of the ITA 2023, subject to the provisions of this Act, the Member (Tax) shall have the authority to carry out the powers and functions, as the Board exercises.

DG (Inspection)

According to Section 8(2) of the ITA 2023, the Directors-General (DG) of Inspection shall perform the following functions, namely -

- carry out inspection of progress of activities under this Act;
- based on inspection, drafting tax policy reform measures and identifying the area of improvement in respect of tax administration;
- furnish opinion and recommendations in form of report; and
- such other functions as may be assigned to them by the Board.

DG (Central Intelligence Cell)

According to Section 8(3) of the IT Act, 2023, the Directors-General of Central Intelligence Cell shall perform the following functions, namely -

- carry out intelligence works to gather information about taxpayers;
- analyze information gathered through intelligence work vis-a-vis concerned income tax records;
- detect tax evasions, concealments of income and offences as described in Part 13 and Part 15 of Income Tax Act, 2023;
- carry out investigations to prove tax evasion/concealment/any other irregularities relating to taxes and to collect evidences in support of tax offences or tax frauds for recovery of tax with penalty and to suggest prosecutions in fit cases;
- to carry out functions as authorized by any other law.

The Board may, through order, set the jurisdiction of income tax authority, and any area or other jurisdiction or function assigned to an income-tax authority may be modified or varied, or may be transferred to any other income-tax authority with respect to areas, persons or classes of persons, or cases or classes of cases, or proceeding or classes of proceedings [Section 8(4)]. Board may, through its order, determine the place of assessment for the assesses. Any such transfer as is referred to in clause (4) may be made at any stage of the proceedings and further proceedings may be commenced from the stage at which such transfer takes place. Board may, through its order, determine the place of assessment for the assesses.

Exercise of Jurisdiction by Successor [Section 9]

Where, in respect of any proceeding under this Ordinance, an income-tax authority is succeeded by another, the income-tax authority so succeeding may continue the proceeding from the stage at which it was left by his predecessor.

Officers, etc. to Follow Instructions of the Board [Section 10]
All officers and other persons engaged in the performance of any functions under this Act shall, in the matter of discharging those functions, observe and follow such orders, directions or instructions as the Board may issue from time to time. Provided that no order, direction or instruction shall be given so as to interfere with the discretion of the Appellate Additional Commissioners or the Commissioners (Appeals) in the exercise of their appellate functions.

Guidance to the Deputy Commissioner of Taxes [Section 11]
In the course of any proceedings under this Act, the Deputy Commissioner of Taxes may be assisted, guided or instructed by any income-tax authority to whom he is subordinate, or any other person authorized in this behalf by the Board.

Exercise of assessment functions by the Ins. Add. Commissioner [Sec 12]
The Commissioner may, with prior approval of the Board, by general or a special order in writing, direct that in respect of all or any proceedings relating to specified cases or classes of cases or specified persons or classes of persons within his jurisdiction, the powers and functions of any income tax authority can be exercised by the immediate senior income tax authority. Any reference made here will be deemed to be the reference to the said senior authority.

4.5

CLO
4.5
4.6
4.7

NATIONAL BOARD OF REVENUE

National Board of Revenue (NBR) has been constituted under the National Board of Revenue Order, 1972 (Presidents Order No. 76 of 1972) [U/s 2(13)] and is given the highest executive authority under the Internal Resources Division (IRD) of the Ministry of Finance. The Secretary, IRD is the ex-officio Chairman of NBR. NBR is responsible for formulation and continuous re-appraisal of tax-policies and tax-laws in Bangladesh. The NBR is empowered to make necessary rules concerning income tax matters but not authorized to give any interpretation of any word used in any section of IT ordinance (judiciary function). It is a body consisting of a chairman, members, officers, and secretaries. The chairman and members are appointed by the Government and work under the direct control of the Ministry of Finance. Negotiating tax treaties with foreign governments and participating in inter-ministerial deliberations on economic issues having a bearing on fiscal policies and tax administration are also NBR's responsibilities. The main responsibility of NBR is to mobilize domestic resources through collection of Import Duties and Taxes, VAT, and Income Tax for the Government. Side by side with collection of taxes, facilitation of international trade through quick clearance of import and export cargoes has also emerged as a key role of NBR. Other responsibilities include administration of matters related to taxes, duties and other revenue related fees/charges and Prevention of smuggling. Under the overall control of IRD, NBR administers the Excise, VAT, Customs, and Income Tax services consisting of 3434 officers of various grades and 10195 supporting staff positions.

4.6

CLO
4.5
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4.7

TAXES APPELLATE TRIBUNAL

According to section 2(12), "Appellate Tribunal" means the Taxes Appellate Tribunal established under section 13 of ITA 2023. As per section 4, it is not a part of income tax authority. But to facilitate the aggrieved assessee and the DCT with allowing them to file an appeal against the order of an Appellate Joint Commissioner or the Commissioner (Appeals); the government forms the Tribunal as a judicial body. A brief about its formation, members' qualification, and functioning are as follow.

Formation of Taxes Appellate Tribunal

For exercising the functions of the Appellate Tribunal under this Act, the government shall establish a Taxes Appellate Tribunal consisting of a President and such other members as the Government may, from time to time, appoint [section 13(1)]. The Government shall appoint one of the members of the Appellate Tribunal to be the President thereof, who is a member of the Board, or holds the current charge of a member of the Board [section 13(3)].

Qualification of the Members [Section 13(2)]

A person shall not be appointed as a member of the Taxes Appellate Tribunal unless –

- ☐ he was or is a member of the Board or holds the current charge of a member of the Board; or
- ☐ he is or was a District Judge;
- ☐ he is a Commissioner of Taxes; or
- ☐ he is an income tax lawyer within the meaning of section 327 and practiced professionally for not less than ten years in any income tax office; or
- ☐ he is a professional legislative expert having not less than ten years' experience in the process of drafting and making financial and tax laws.

Other Relevant Provisions

☐ Exercise of Power [Section 14]

Generally, the powers and functions of the Appellate Tribunal (AT) shall be exercised by Benches of the AT, to be constituted by the President having not less than two members of which at least one member will be a member of the Board or Commissioner of Taxes.

☐ Decision of Bench [Section 15]

The decision of a bench in any case or on any point shall be given in accordance with the opinion of the majority of its members. But if the members are equally divided in any point, they will refer it to the president who may refer the case to one or more other members of the Tribunal for hearing and the point shall be decided according to the majority of the members of the Appellate Tribunal who have heard it including those who first heard it.

However, where there are only two members of the Appellate Tribunal and they differ in any case, the Government may appoint an additional member of the Appellate Tribunal for the purpose of hearing the case and the decision of the

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case shall be given in accordance with the opinion of the majority of the members of the Appellate Tribunal as constituted with such additional member.

- ☐ **Exercise of Power by One Member**
Notwithstanding anything contained in section 14, the Government may direct that the powers and functions of the Appellate Tribunal shall be exercised by any one of its members, or by two or more members jointly or severally.
- ☐ **Regulation of Procedure [Section 17]**
Subject to the provisions of this Act, the Appellate Tribunal shall regulate its own procedure and the procedure of its Benches in matters arising out of the discharge of its functions including the places at which a Bench shall hold its sittings.

4.7

Q.4
4.5
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4.7

ROLE OF CIVIL COURTS REGARDING INCOME TAX

High Court Division and Supreme Court Division can only give explanation of law to any point referred to them by the assessee or the Commissioner of Taxes. Based on the explanation, the Tribunal can give the final verdict. An appeal can also be filed against the judgment of the High Court Division in any case which the High Court Division certifies to be a fit one for appeal to the Appellate Division [Sec 294 & 295].

4.8

Q.4
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4.6

POWERS REGARDING COLLECTION OF INFORMATION

Part 12, Chapter 1 of the ITA, 2023 enumerated the relevant provisions regarding the collection of information by income tax authorities. These provisions have revealed some powers of the income tax authorities. For this Part, the following definitions have been specified:

- ☐ **Inspecting Income Tax Authority means –**
 - Director General (Inspection);
 - Director General (Central Intelligence Cell);
 - Commissioner of Taxes; and
 - Any other income tax authority empowered by the board or commissioner of taxes to exercise such functions
- ☐ **Income related Records** means any books of accounts, documents, electronic records, and system.

Powers Under this Part Not to Prejudice Other Powers [Section 199]

The powers exercisable by income tax authorities under this Part 12 shall not prejudice, unless otherwise provided in the provision thereof, the powers exercisable under the other provisions of this Act.



- (a) Define income tax authority.
(b) What is the basic objective to formulate administrative and judicial authority?

Power to Call for Information [Section 200]

Any income tax authority, not with a position lower than the Deputy Commissioner of Taxes, for the purposes of this Act, by notice in writing, require any person to furnish information in relation to such points or matters as he thinks fit, within the deadline by means as may be specified in the notice. Such authority may also by notice in writing or electronic means, require any person to furnish relevant information in relation to any pending investigation or current activities under this Act, within the deadline by means as may be specified in the notice. Provided that no such notice on a bank or financial institution shall be issued by any authority with a position lower than the Commissioner of Taxes, without the approval of the Commissioner.

Automatic Furnishing of Information [Section 201]

The Board may, by a notice in official gazette, require any authority, person or entity to furnish in digital manner to the Board or any income tax authority specified by the Board, any information including information regarding assets, liabilities, income, expenses and transactions in respect of any class of persons. For the purpose of this section, furnishing in digital manner includes –

- ☐ uploading data in the system of the Board;
- ☐ sharing data to the digital or electronic system of the Board; and
- ☐ enabling digital or electronic access to the intended system.

Power to Inspect Registers of Companies [Section 202]

Any income tax authority may inspect and, if necessary, take copies, or cause copies to be taken, of any register of the business.

Power to Inspect the Sources of Income [Section 203]

Any income tax authority may inspect and, if necessary, take copies, or cause copies to be taken, of any sources of Income.

Inspection and Investigation [Section 204]

The inspecting income tax authority may inspect and investigate any person to be assessable or under assessment or any other person relevant to it and, if necessary, may order any person or entity to provide relevant information regarding the sources of income of the said person or to be present to them at any specified time. The Board will prepare a manual regarding the Inspection and Investigation procedure for the purpose of this section.

Power of Survey [Section 205]

For the purpose of survey of liability of any person to tax under this Act, an income tax authority may, notwithstanding anything contained in other provisions of this Act but subject to such directions or instructions as the Board may issue in this behalf, enter any place or premises within the limits of its jurisdiction as mentioned in this section.

4.9

CLO
4.3
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POWERS REGARDING SEARCH AND SEIZURE

Part 12, Chapter 2 of the ITA, 2021 enumerated the relevant provisions regarding the powers of search and seizure by the income tax authorities:

Power of Search and Seizure [Section 206]

Where the inspecting income tax authority has, on account of information in his possession, reason to believe that any person

- ☐ to whom a summons or notice under this Act has been issued to produce any record of income, assets, and liability, has failed to produce such records;
- ☐ is not likely to produce such record of income, assets, and liability; or
- ☐ has failed to or is not likely to produce the information relating to income in response to the notice or summon [U/s 206(1)].

The inspecting income tax authority may authorize any officer subordinate to him, being not below the rank of the Assistant Commissioner of Taxes, to exercise the powers of conducting the activities relating to search and seizure [U/s 206(2)]. The authorized officer may, notwithstanding anything contained in any other law for the time being in force, can take the following steps in this regard [U/s 206(3)]:

- ☐ enter and search any building, place, vessel, vehicle or aircraft where he has reason to suspect that any books of accounts, documents, money, bullion, jewellery or other valuable article are or have been kept;
- ☐ break-open the lock of any door, box, locker, safe, almirah or other receptacle for the purpose of the said entry, and search, if keys thereof are not available;
- ☐ search any person who has got out of, or is about to get, into, or is in, the building, place, vessel, vehicle or aircraft, if he has reason to suspect that such person has secreted about his person any such books of accounts, documents, electronic records and systems, money, bullion, jewellery or other valuable article or thing;
- ☐ seize any such books of accounts, documents, money, bullion, jewellery or other valuable article or thing found as a result of such search;
- ☐ place marks of identification on or providing electronic number or make or cause to be made extracts or copies therefrom;
- ☐ make a note or an inventory of any such money, bullion, jewellery or other valuable article or thing; and
- ☐ extract the data, images or any inputs stored in the electronic records and systems or enter the systems by breaking through password protection or copy or analyze the data, books of accounts, documents, images or inputs.

The authorized officer may requisition the services of any police officer or other officer of the Government or any professional expert from outside the government to assist him for all or any of the purposes specified in sub-section (2); and it shall be the duty of every such officer or professional expert to comply with such requisition [U/s 206(4)].

The authorized officer may, where it is not practicable to seize any such books of accounts, documents, money, bullion, jewellery or other valuable article or thing, by order in writing, require the owner or the person who is in immediate possession or control thereof not to remove, part with or otherwise deal with it without obtaining his previous permission; and the authorized officer may take such steps as may be necessary for ensuring compliance with the order. Provided that if the owner or the person concerned, without any reasonable cause, fails to comply with the provisions of this sub-section, and transfer the bullion, jewellery, valuable article or thing, the Deputy Commissioner of Taxes may consider the person as owner of such things and in such a case the said person shall be deemed to be an assessee in default under this Act. [section 206(5)]

The authorized officer may, during the course of the search or seizure, examine on oath, any person who is found to be in possession or control of any books of accounts, documents, money, bullion, jewellery or other valuable article or thing and any statement made by such person during the examination may thereafter be used in evidence in any proceeding under this Act [section 206(6)].

Where any books of accounts, documents, money, bullion, jewellery or other valuable article or thing is found in the possession or control of any person in the course of a search, it may be presumed that-

- ☐ the books of accounts, documents, money, bullion, jewellery, article or thing belongs to such person;
- ☐ the contents of the books of accounts are true; and
- ☐ the signature on, or the handwriting in, any such books or documents is the signature or handwriting of the person whose signature or handwriting it purports to be [U/s 206(7)].

The person from whose custody any books of accounts or other documents are seized under sub-section (2) may make copies thereof, or take extracts therefrom, in the presence of the authorized officer or any other person designated by him, at such place and time as the authorized officer may appoint in this behalf [U/s 206(8)]. The Board may issue any Manual specifying the procedures of search and seizure in this regard under Section 206 (9). Subject to the provisions of this Act and the rules, if any, made in this behalf by the Board, the provisions of the Code of Criminal Procedure, 1898 (Act V of 1898), relating to search and seizure shall apply, so far as may be, to search and seizure [section 206(10)].

For the purposes of this section, the word "proceeding" means any proceeding in respect of any year under this Act which may be pending on the date on which a search is authorized under this section or which may have been completed on or before such date and also includes all proceedings under this Ordinance which may be commenced after such date in respect of any year [section 206(8)].

Transferring Seized Books of Accounts to the DCT [Section 207]

If the authorized officer and the Deputy Commissioner of Taxes are different persons, the authorized officer shall have to transfer the seized books of accounts [U/s 206] to the Deputy Commissioner of Taxes within 30 days from the record date of seizure.

Retention Period of the Seized Books of Accounts [Section 208]

The books of accounts or other documents seized under sub-section (2) shall not be retained by the authorized officer for a period exceeding sixty days from the date of the seizure unless for reasons recorded in writing, approval of the extension not exceeding 30 days has been obtained for such retention. The aggrieved party has the right to apply and being heard in this regard.

Retention of Seized Assets [Section 209]

Where any money, bullion, jewellery or other valuable article or thing (hereinafter referred to as assets) is seized and transferred to the DCT under section 206, the DCT shall, after giving the person concerned a reasonable opportunity of being heard, shall take the initiative for inspection within 90 days of the seizure of the assets. In computing the 90 days, any period during which any proceeding under this section is stayed by an order or injunction of any Court shall be excluded [section 206(1-3)].

If, after taking into account the materials available with him, the DCT is of the view that it is not possible to ascertain to which particular income year or years such income or any part thereof relates, he may calculate the tax on such income or part, as the case may be, as if such income or part were the total income chargeable to tax at the rates in force in the financial year in which the assets were seized [section 206(4)].

After completing the proceedings, the DCT shall, with the approval of the Commissioner, make an order requiring the person concerned to pay the aggregate of the amounts referred to in sub-section (2)(b) and shall, if such person pays, or makes satisfactory arrangement for the payment of, such amounts or any part thereof, release the assets seized or such part thereof as he may deem fit in the circumstances of the case [section 206(5-6)]. Where the person concerned fails to pay, or to make satisfactory arrangements for the payment of, any amount required to be paid in pursuance of the order under sub-section (2) or any part thereof, he shall be deemed to be an assessee in default in respect of the amount or part, and the DCT may retain in his custody the assets seized under section 206 or any part thereof as are in his opinion sufficient for the realization of the said amount or, as the case may be, of such part thereof as has not been paid [section 209(7)].

If the DCT is satisfied that the assets seized under section 206 or any part thereof were held by a person for or on behalf of any other person, he may proceed under this section against such other person, and all the provisions of this section shall apply accordingly [U/s 209(8)].

If any person objects, for any reason, to an order made under sub-section (4), he may make an application, stating therein the reasons for his objection, to the Commissioner for appropriate relief in the matter; and the Commissioner may, after giving the applicant an opportunity of being heard, pass such orders thereon as he may think fit [section 209(9)].

Application of retained assets [Section 210]

Where the assets retained under sub-section (7) of section 206 consist solely of money, or partly of money and partly of other assets [U/s 210(1)]-

- ☐ the Deputy Commissioner of Taxes shall first apply such money towards payment of the amount in respect of which the person concerned is deemed to be an assessee in default under that sub-section; and thereupon such person shall be discharged of his liability to the extent of the money so applied; and
- ☐ where, after application of the money under clause (a), any part of the amount referred to therein remains unpaid, the Deputy Commissioner of Taxes may recover the amount remaining unpaid, by sale of such of the assets as do not consist of money in the manner movable property may be sold by a Tax Recovery Officer for the recovery of tax; and for this purposes he shall have all the powers of a Tax Recovery Officer under this Act.

Nothing contained in sub-section (1) shall preclude the recovery of the amount referred to in section 206(7) by any other mode provided in this Act for the recovery of any liability of an assessee in default [U/s 210(2)]. Any assets or proceeds thereof which remain after the discharge of the liability in respect of the amount referred to in section 206(7) shall forthwith be made over or paid to the persons from whose custody the assets were seized [U/s 210(3)].

4.10

CLO
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4.6

POWERS REGARDING CALL FOR HEARING

Part 12, Chapter 3 of the ITA, 2023 enumerated the relevant provisions regarding the powers of search and seizure by the income tax authorities:

Power to Take Evidence on Oath, Etc. [Section 211]

The DCT, the Additional Commissioner of Taxes, the Commissioner of Taxes, the Director General-Central Intelligence Cell, the Commissioner of Taxes (Appeal), and the Appellate Tribunal shall, for the purposes of this Act, have the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (Act V of 1908), when trying a suit in respect of the following matters, namely:-

- ☐ discovery and inspection;
- ☐ enforcing the attendance of any person and examining him on oath or affirmation;
- ☐ compelling the production of accounts or documents (including accounts or documents relating to any period prior or subsequent to the income year); and
- ☐ issuing commissions for the examination of witnesses [U/s 211(1)].

The DCT shall not exercise his powers under this section for the purpose of enforcing the attendance of an employee of a scheduled bank as a witness or compelling the production of books of account of such a bank except with the prior approval of the Commissioner [U/s 211(2)]. Any authority mentioned in sub-section (1) may impound and retain in its custody for such period as it considers fit, any books of accounts or other documents produced before it in any proceeding under this Act. Such retention should be recorded and should not be more than for 15 working days without the approval of the Chief Commissioner or Commissioner of Taxes [U/s 211(3-4)].

Any proceeding under this Act, before any authority mentioned in sub-section (1), shall be deemed to be a judicial proceeding within the meaning of sections 193 and 128, and for the purposes of section 196, of the Penal Code (Act XLV of 1860) [U/s 211(5)]. Any order of the income tax authority, through the proceeding under this Act, shall be considered as order of the Civil Court [U/s 211(6)].

4.11

CLQ
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4.6

POWERS IN CERTAIN CASES

Power of Inspecting Additional Commissioner to revise the erroneous Order

As per section 213, the Inspecting Additional Commissioner may call for and examine the record of any proceeding under this Act if he considers that any order passed therein by the DCT is erroneous in so far as it is prejudicial to the interests of the revenue, and may, after giving the assessee an opportunity of being heard, and after making or causing to be made, such inquiry as he thinks necessary, pass such order thereon as in his view the circumstances of the case would justify, including an order enhancing or modifying the assessment or cancelling the assessment and directing a fresh assessment to be made [U/s 213(1)].

Where the power of the Deputy Commissioner of Taxes is exercised by a higher income tax authority under the provision of section 12, the proceedings mentioned in sub-section (1) shall be taken by the Commissioner. No order shall be made under sub-section (1) after the expiry of four years from the date of the order sought to be revised. Nothing in section 212 shall bar any proceeding under this section in applicable cases [U/s 213(2-4)].

In this section, an order shall be deemed to be erroneous if, in the opinion of the Inspecting Joint Commissioner, as the case may be, -

- ☐ any income is misclassified in the order;
- ☐ any provision of this Act is misinterpreted in making the order;
- ☐ the order is passed without making verification which should have been made;
- ☐ the order is passed allowing any relief without inquiring into the claim;
- ☐ the order, direction or instruction issued by the Board under section 10 has not been observed or followed in the order; or
- ☐ the order is erroneous for reasons apparent from the record [U/s 213(5)].

Revisional Power of the Commissioner [Section 285]

The Commissioner may on an application made by the assessee, call for the record of any proceeding under this Act in which an order has been passed by any authority subordinate to him and may make such enquiry or cause such enquiry to be made and, subject to the provisions of this Act, may pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit.

The application for revision of an order under this Act passed by any authority subordinate to the Commissioner shall be made within sixty days of the date on which such order is communicated to the assessee or within such further period as the Commissioner may consider fit to allow on being satisfied that the assessee was prevented by sufficient cause from making the application within the said sixty days [U/s 285(1-2)].

The Commissioner shall not exercise his power under sub-section (1) in respect of any order-

- ☐ Where an appeal against the order lies to the Additional Commissioner of Taxes (Appeal) or to the Commissioner (Appeals) or to the Appellate Tribunal and the time within which such appeal may be made has not expired or the assessee has not waived his right of appeal; and
- ☐ where the order is pending on an appeal before the Additional Commissioner of Taxes (Appeal) or it has been made the subject of an appeal to the Commissioner (Appeals) or to the Appellate Tribunal [U/s 285(3)].

No application under sub-section (1) shall lie unless- (a) it is accompanied by a fee of two hundred taka; and (b) the undisputed portion of the tax [U/s 173] has been paid [U/s 285(4)].

For the purposes of this section, an order by the Commissioner declining to interfere shall not be construed as an order prejudicial to the assessee. Notwithstanding anything contained in this Act, an application for revision made under sub-section (1) shall be deemed to have been allowed if the Commissioner fails to make an order thereon within a period of sixty days from the date of filing the application. For the purposes of this section, the Additional Commissioner of Taxes (Appeal) shall be deemed to be an authority subordinate to the Commissioner to whom the Deputy Commissioner of Taxes, whose order was the subject-matter of the appeal order under revision, is subordinate [U/s 285(5-7)].

4.12

CLQ
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4.6

ASSISTANCE TO INCOME TAX AUTHORITIES

All officers and staff of government and semi-government organizations, law enforcement agencies, autonomous bodies, statutory bodies, financial institutions, educational institutions, private organizations, local government, and non-government organizations shall assist the income tax authorities in the discharge of their functions under the ITA, 2023 [Section 329].

KEY POINTS

- ☐ Income tax authorities hold the sole authority to execute the laws relating to income tax applicable in the land.
- ☐ Part 2 (Sec 4-12) of the ITA 2023 deals with the appointment, power and responsibilities with their respective authority-responsibility relationships.
- ☐ Income tax authorities may be classified as administrative and judicial authority depending on their functions.
- ☐ Administrative authorities look after the total administration of income tax wing starting from the identification of assessee to the collection of taxes.
- ☐ Judicial authorities hear the claims of the assessee and give the verdict.
- ☐ The National Board of Revenue (NBR) as the apex body enjoys the power to appoint income tax authorities as per the provisions of the IT Act, 2023.
- ☐ Any income tax (IT) authority may appoint any IT authority subordinate thereto subject to the orders and instructions as the Board may issue from time to time.
- ☐ NBR has the power to make rules for the purposes of this ordinance.
- ☐ Taxes Appellate Tribunal is not a part of income tax authority, through the proceeding under this Act, shall be considered as order of the Civil Court [U/s 211(6)]
- ☐ Any order of the income tax authority, through the proceeding under this Act, shall be considered as order of the Civil Court [U/s 211(6)]

MULTIPLE CHOICE QUESTIONS

1. Most of the income tax authority has been appointed by the -
(a) Ministry of Finance (b) NBR (c) Appellate Tribunal (d) Government
2. The chairman and members of NBR are appointed by the -
(a) Ministry of Finance (b) NBR (c) Appellate Tribunal (d) Government
3. Commissioner of Taxes works as per the direction of the -
(a) Ministry of Finance (b) NBR (c) Appellate Tribunal (d) Government
4. Which part of the ITA 2023 deals with the power and responsibilities of income tax authorities?
(a) 1 (b) 3 (c) 2 (d) 4
5. Any Bench of the Appellate Tribunal is formed with minimum _____ members.
(a) 2 (b) 3 (c) 4 (d) none of these
6. Who has the power to revise the erroneous order of the DCT?
(a) Appellate Tribunal (b) Inspecting Add. Commissioner of taxes (c) Commissioner of Taxes (appeal) (d) None of these
7. Tax Appellate Tribunal is a _____ body -
(a) Administrative (b) Judicial (c) Independent (d) none of these
8. Followings are the qualification to be a member of Tax Appellate Tribunal, except -
(a) he was a member of the Board (b) he was a Commissioner of Taxes (c) he was a district judge (d) tax lawyer with above eight-year experience
9. The aggrieved assessee may appeal to whom against the decision of DCT?
(a) Appellate Tribunal (b) Assistant Commissioner of taxes (c) Additional Commissioner of taxes - Appeal (d) Commissioner of Taxes (appeal)

10. Who works to detect and prevent tax evasion in the country?
(a) Commissioner of Taxes (b) Deputy Commissioner of Taxes (c) Tax Recovery Officer (d) Inspector of Taxes

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Any income tax authority may appoint any IT authority subordinate thereto subject to the orders and instructions as the board may issue from time to time.
2. Administrative authority has been formulated to hear the claims of the assessee and to give them the verdict as early as possible.
3. Additional Commissioner of Taxes (inspecting) has the power to revise any order of DCT within 4 years.
4. The President of the Appellate Tribunal is appointed by the Supreme Court
5. High Court Division and Supreme Court Division can only give explanation of law to any point referred to them by the assessee or the Commissioner of Taxes.

<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F

DISCUSSION QUESTIONS (DQ)

- DQ4.1 Who are the income tax authorities? Sketch the power of administrative and judicial bodies.
- DQ4.2 How do you think income tax authorities have been appointed?
- DQ4.3 What is NBR? Explain the powers and functions of NBR.
- DQ4.4 "The DCT plays a vital role in the whole of tax administration of the country" - explain.
- DQ4.5 "The main responsibility of the Tax Recovery Officer is to collect arrear taxes" - explain.
- DQ4.6 What is Tax Appellate Tribunal? Explain the required qualifications to be a member of Tax appellate Tribunal.
- DQ4.7 Briefly explain the functions of Inspecting Additional Commissioner of Taxes.
- DQ4.8 Write short note on: ☐ Judicial Authority ☐ NBR ☐ Tax Appellate Tribunal ☐ DCT

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
b	d	b	c	a	b	b	d	c	d

TRUE/FALSE

1	2	3	4	5
T	F	T	F	T

SELF - REVIEW 4.1

- (a) Income tax authorities hold the sole authority to execute the laws relating to income tax applicable in the land and to run various departments formed for streamlining the functions like identification of assessee; computation of taxable income, net tax liability etc.
- (b) Administrative: To look after the total administration of income tax wing starting from the identification of assessee to the collection of assessee's.

5

Income from Employment

"..... but in this world nothing can be said to be certain, except death and taxes."
— Benjamin Franklin

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

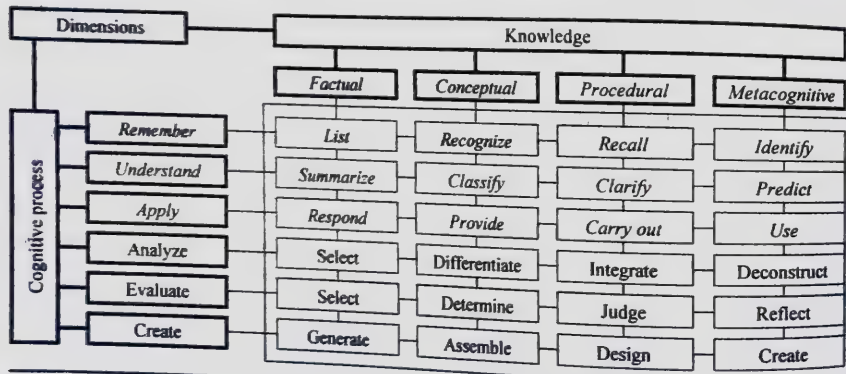
- CLO 5.1 understand the concept of income from employment
- CLO 5.2 identify basic components of employment income
- CLO 5.3 apply taxability on different salary components
- CLO 5.4 recognize various categories of provident funds
- CLO 5.5 apply TDS on employment income
- CLO 5.6 list non assessable salary income
- CLO 5.7 recall rebate on allowable investments
- CLO 5.8 compute tax liability on income from employment

KEY TERMS

Salary, Perquisite, Profit in lieu of salary, Employee, Employer, Provident fund, Approved gratuity fund, Worker's participation fund, Investment allowance, Tax deducted at sources

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



5.1

CLO
5.2
5.3

CHARGEABILITY OF INCOME UNDER EMPLOYMENT

Chapter – 5 Income from Employment

Income from Employment is the first head of income out of seven heads mentioned in section 30 of the Income Tax Act, 2023. The chargeability of such income is guided by the relationship between the person making the payment (employer) and the person receiving such payment (employee). It comprehends every payment, due or received, by an employee from an employer or former employer on account of services rendered. Even non-monetary benefits and perquisites are valued in accordance with specified rules and assessed to tax.

Incomes to be recorded under the head "Income from Employment"

According to Section 32(1) of the ITA, 2023, the following incomes are to be recorded under the head "Income from Employment":

- ☐ Any monetary amount, salary, or benefits received or due from the employment;
- ☐ Income earned from Employee Share Scheme
- ☐ Any arrears of salary not charged to income tax for any earlier period.
- ☐ Any monetary amount / benefit received from former or future employer.

Incomes not to be recorded under the head "Income from Employment"

According to Section 32(2) of the ITA, 2023, the following incomes are not to be recorded under the head "Income from Employment":

- ☐ medical expenses reimbursed by an employer to an employee, other than an employee who is a shareholder director, for surgery of heart, kidney, eye, liver and cancer of the employee.
- ☐ any conveyance allowance, travel allowance and daily allowance specifically granted to meet expenses wholly and necessarily incurred in the performance of the duties of an office or employment;

Following points should be noted for chargeability of income from employment:

- ☐ An income can be taxed under the head "Income from Employment" only if there is a relationship of an employer and employee between the payer and payee.
- ☐ If it is found that there was no element of employer-employee relationship, income is assessable as income from other sources.
- ☐ It does not matter whether the employee is a full-time or a part-time employee.

Once the relationship of employer and employee exists, the income is to be charged under the head "income from employment". If, for example, an employee works with more than one employer, salaries received from all the employers should be clubbed and brought to charge for the relevant income years. For instance, salary received by a partner from his partnership firm carrying on a business is not chargeable as "Income from Employment" but as "Income from Business". Similarly, salary received by a person as MP is taxable as "Income from other sources", but if a person received salary as Minister of Government, income should be under the head "Income from Employment". Pension received by an assessee from his former employer is taxable as "Income

from Employment" whereas pension received on his death by members of his family (Family Pension) is taxed as "Income from other sources"

5.2

CL.O
S.1
S.2

RELEVANT DEFINITIONS

The ITA, 2023 has specified some relevant salary related definitions:

Salary

Generally, salary means periodical payment made for work to an employee by an employer for the services rendered to him. According to section 32(2)(a) of the ITA, 2023, salary includes:

- ☐ any salary, wages, or remuneration;
- ☐ any allowances, leave fare assistance, leave encashment, bonus, fees, commission, overtime;
- ☐ any advance of salary;
- ☐ any gratuity, annuity, pension or its supplement;
- ☐ perquisite;
- ☐ profits in lieu of, or in addition to, salary or wages.

"Profits in Lieu of Salary" or "Profits in addition to Salary"

According to Section 32(2) of the ITA, 2023, "Profits in lieu of salary" or "Profits in addition to salary" shall include:

- ☐ The amount of any compensation, in whatsoever name, received by an assessee from his employer in connection with the termination of his employment;
- ☐ Any payment received by an assessee from provident or other fund to the extent to which it does not consist of contributions by the assessee.
- ☐ Any pay or fair market value of the benefits received by an assessee from his employer in connection with the modification of any terms and conditions relating to his employment;
- ☐ Any pay or fair market value of the benefits received by an assessee from his employer at the time of joining or in connection with any other conditions relating to his employment;

Perquisite

Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages. Perquisites may be given in a variety of forms, in cash or in kind. Perquisites received in kind may or may not be convertible into cash. Section 32(2) of the ITA, 2023 defines perquisites as any payment or any benefit, including incentive bonus, made to an employee by an employer in the form of cash or in any other form. It does not include-

- ☐ basic salary, arrear salary, advance salary, festival bonus, leave encashment, and overtime;
- ☐ contribution to a recognized provident fund, approved pension fund, approved gratuity fund, and approved superannuation fund.

- Some of the examples of perquisite are-
- ☐ Accommodation for free or at concession;
 - ☐ Conveyance allowance or facility
 - ☐ Any sum payable (directly or indirectly) by the employer as insurance premium for the assessee or his spouse or any of his dependent children;
 - ☐ Entertainment allowance;
 - ☐ The sum paid by an employer in respect of any obligation of an employee (house servant, Gardener etc.).

Basic Salary

According to Section 32(2) of the ITA, 2023, 'Basic Salary' means the pay which is payable monthly or otherwise, on what basis other allowances and benefits are determined, but does not include-

- ☐ All kind of allowances, perquisites, annuities, bonus, and other benefits;
- ☐ Employer's contribution to different funds for the employees.

Employer

According to section 32(2) of the ITA, 2023, 'employer' means a person that appoints or recruits the employee to work for him and pays the salary and allowances against it. Anyone working on behalf of the employer will also be considered as an employer in this regard.

Employee

Generally, 'employee' means the person who works for an employer. According to section 2(25) of the ITA, 2023 'employee' means any employee and shall include the following persons, namely:-

- (a) in relation to a company, includes any director or the managing director thereof, or any other person, who irrespective of his designation, performs, any duties or functions in connection with the management of the affairs of the company;
- (b) in the case of any business other than a company, any such person, regardless of position, performs any duty connected with the management of the business;
- (c) any such person who receives salary from the employer, is under the control of the employer and is driven as per instruction of the employer and acts in accordance with decisions taken by the employer;
- (d) all persons receiving income from employment under section 32;

Provided that any worker of a tea garden and daily labor shall not be included.

Wages

Wages is a pledge or payment of usually monetary remuneration by an employer especially for labor or services usually according to the contract, on an hourly, daily or unit work basis. It often includes bonuses, commissions, profit sharing and amount paid by the employer for insurance, pension, hospitalization, and other benefits. Generally, here the nature of work is mechanical.

5.3

CLO
5.2
5.3
5.6

ELEMENTS OF SALARY AND CHARGEABILITY OF TAX

Based on the various provisions of the ITA, 2023 and practice, elements of salary are:

A. General elements paid in cash (excluding perquisites)

- **Basic Salary:** Basic salary is the most important element of salary since the allowances and contribution to various funds are determined on the basis of this. Even the yearly increment is also mostly set on the basis of basic salary.
- **Arrear salary:** The arrear salary of a particular income year will be added with the salary income in that income year and will be excluded from the salary income of year it is received as tax has already been paid on that amount.
- **Advance salary:** If a certain amount of money is received from the employer as advance against salary, it will be added with the salary income of the income year when the advance has been received and it will be excluded from the salary income of the next year since tax has already been paid on that amount.
- **Festival Bonus:** Generally given during festivals like Eid, Durga Puja, and Christmas etc.
- **Leave encashment:** If the employee gets any cash benefit for not taking the leave, it is known as leave encashment.
- **Overtime:** For working extra hours to the general time limit, an employee receives additional payment as "Overtime".
- **Employer's contribution to Recognized Provident Fund (RPF):** In case of a recognized provident fund, an equal amount as contributed by the employee is also given by the employer. Here, only the employer's contribution will be added with salary, not the employee's contribution.
- **Interest on Recognized Provident Fund:** Any sum representing interest receipt on the accumulated balance of an employee in a RPF, will be taxable for an amount calculated using the following formula [Schedule 2, Part 3, Para 5]:

Interest on RPF	XXX
Less: one third of the (salary income excluding the interest amount)	XXX
	XXX

B. Perquisites paid in cash

- **Dearness Allowance:** It is the most popular allowance being given to employees these days. This payment is made by the employer to the employee to cope with the higher cost of living, which is usually a certain percentage of the basic salary.
- **Conveyance allowance:** Generally paid in cash to an employee to ease his/her communication to the office in person.
- **House rent allowances:** This sort of allowance is granted by the employer to the employee to compensate him in the matter of higher rent prevailing in big cities.
- **Entertainment allowance:** This allowance is given to the employee for entertaining customers or clientele of the employer. The whole amount of entertainment allowance will be included under the head salary income. But nothing will be added for free tea, coffee, beverages or the like thereof that are provided at the office premises during the course of work.

Chapter - 5 Income from Employment

- **Medical Allowance:** Where any amount is received by the employee by way of hospitalization, medical expenses or medical allowance, the amount, shall be included in his salary income. But medical expenses reimbursed by an employer to an employee (who is not a shareholder director), for surgery of heart, kidney, eye, liver and cancer of the employee, shall not be included.
- **Incentive/Performance Bonus:** Generally given for good performance of the employee/company.
- **Lunch/Tiffin Allowance:** If any employee receives any extra cash allowance for lunch/tiffin, the full amount will be taxable.
- **Special/Professional allowance:** If any employee receives any extra allowance for having any special/professional competence, full amount will be added in computing the salary income.
- **Allowance for house servant/gardener etc.:** For any allowance for maintaining house servant, gardener etc., full amount will be added as taxable income.

C. Perquisites paid in kind (in form of benefits) [Section 33]

Sometimes the employees are provided with some non-cash benefits like accommodation facilities, conveyance facilities etc. For inclusion in the head "Income from Salary" purpose, the monetary value of such benefits is determined according to the rules provided in Section 33 of the ITA, 2023:

Monetary value of perquisites (paid in kind/in form of benefits)

Accommodation Facilities	Value for tax purposes
Employee received accommodation as rent free, or the rent is paid by the employer	the annual value* of the accommodation.
Accommodation is given by the employer at a concession rate	annual value* of the accommodation less the rent actually paid by the employee
Conveyance Facilities / Car benefit	
Motorcar upto 2,500 CC Capacity	Tk. 10,000 per month per car
Motorcar exceeding 2,500 CC Capacity	Tk. 25,000 per month per car
Any other perquisite, allowance, or benefits	Monetary value or Fair Market Value of such perquisites, allowances, or benefits.

* Annual Value is the higher of fair rental value or actual rental value [Sec 2(62)]

D. Income earned from Employee Share Scheme [Section 34]

An employee share scheme is when employees can purchase shares in the company they work for with the hope of financial rewards. As per Sec 34 of the ITA, 2023, "Employee Share Scheme" is any contract or management based on which a company

- ☐ or any of its associate company may issue shares to its employee; or
- ☐ may issue shares to the Trustee of a Trust and thereafter, according to the deed of the Trustee and Trust, the said company or any of its associate company may issue shares to its employee.

Following formulas are used to compute the amount to be added with salary income for employee's income earned from Employee Share Scheme [Sec 34, ITA 2023]:

Salary income from Employee Share Scheme	
When the employee gets the shares under Employee Share Scheme	(a) - (b); in the year of receipt, where (a) = Fair market value of the shares on the day of receipt of shares (b) = Acquisition cost of the said shares
When the employee sales or transfers the right or benefit to get the shares under Employee Share Scheme	(a) - (b); where (a) = Disposal or transfer price for foregoing the right or benefit to get the shares (b) = Acquisition cost of the right or benefit to get the shares

EXHIBIT

5.1

Examples of Basic Salary

Case 1: If the basic salary of Mr. X is Tk. 10,000 per month, Total annual basic salary of $(10,000 \times 12)$ Tk. 120,000 will be included as a part of total income.

Case 2: If Mr. X has withdrawn monthly salary of Tk. 7,000 on July 2023 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 1; his basic salary for the income year 2023 - 24 will be computed in the following way:

From 01/07/2023 to 28/02/2024 for eight months @ Tk. 7,000

From 01/03/2024 to 30/06/2024 for four months @ $[(7,000 + 200) \times 4]$

Tk. 56,000	Tk. 84,800
Tk. 28,800	

Case 3: If Mr. X has withdrawn monthly salary of Tk. 7,000 on June 2024 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 1; his basic salary for the income year 2023 - 24 will be computed in the following way:

From 01/07/2023 to 28/02/2024 for eight months @ Tk. 6,800

From 01/03/2024 to 30/06/2024 for four months @ 7,000

Tk. 54,400	Tk. 82,400
Tk. 28,000	

Case 4: If Mr. X has withdrawn monthly salary of Tk. 7,000 on July 2023 in the scale of Tk. 6,000-200-10,000 and his date of yearly salary increment falls on March 26; his basic salary for the income year 2023 - 24 will be computed in the following way:

From 01/07/2023 to 28/02/2024 for eight months @ Tk. 7,000

For March $[(7,000 \times 25/31) + (7,200 \times 6/31)]$ i.e. (5,645.16 + 1,393.55)

From 01/04/2024 to 30/06/2024 for three months @ 7,200

Tk. 56,000	Tk. 84,639
Tk. 7,039	
Tk. 21,600	

E. Other Elements of Salary

- ☐ **Fees & commission:** Fees is an amount paid for services rendered, the payment of which is with reference to the work performed and not with reference to any time factor. On the other hand, commission is a payment for transacting a business. It may be based on sales, or net profit or other factors or it may be just a fixed sum of money. Whatever the fee or commission is, if it is received from employer the entire amount will be added with salary and will be taxable.
- ☐ **Annuity:** Annuity means a yearly allowance or yearly payment for a term of period or for life. The annuity payable by employer or former employer is chargeable under the head 'income from salaries'.
- ☐ **Pension:** Pension is periodical payment due to employee from employer after his retirement. Pension is a bounty for past services. The pension may be commuted and full or a portion of such commuted portion may be received. For a resident assessee, pension from government pension fund is fully exempted from tax and thus not included as a part of salary income.

EXHIBIT

5.2

Various Allowances and Accommodation Benefits

Case 1: If the basic salary of Mr. X is Tk. 10,000 per month and he is given 10% dearness allowance on basic salary per month, the amount of dearness allowance that will be included as a part of total income will be $[(10,000 \times 12) \times 10\%] = \text{Tk. } 12,000$.

Case 2: If the basic salary of Mr. X is Tk. 10,000 per month and he is given two festival bonuses equal to two month's basic salary, the amount of bonus that will be included in total income will be $(10,000 \times 2) = \text{Tk. } 20,000$.

Case 3: If Mr. X is given a special allowance of Tk. 10,000 to meet some expenses wholly for official purpose, it will not be included under income from salary.

Case 4: Mr. X is paid monthly Tk. 20,000 as basic salary and he is also given 60% of basic salary as house rent allowance. Taxable amount for house rent allowance would be: $(240,000 \times 60\%) = \text{Tk. } 144,000$

Case 5: Mr. X is paid monthly Tk. 20,000 basic salary and a rent-free accommodation. The flat provided to Mr. X is rented outside at Tk. 9,000 per month. However, the monthly fair/reasonable rent of the flat is Tk. 10,000. Here, income from employment for the facility will be the higher of actual rental value $(9,000 \times 12) = \text{Tk. } 108,000$ and fair/reasonable rental value $(10,000 \times 12) = \text{Tk. } 120,000$, i.e., annual value Tk. 120,000 be added with salary.

Case 6: Mr. X is paid monthly Tk. 50,000 as basic salary and an accommodation at a concession rate. The flat provided to Mr. X is rented outside at Tk. 35,000 per month (monthly fair/reasonable rent of the flat is Tk. 40,000). Mr. X bears rent of Tk. 10,000 per month. Here, annual value is Tk. 480,000 [higher of actual rental value $(35,000 \times 12) = \text{Tk. } 420,000$ and fair/reasonable rental value $(40,000 \times 12) = \text{Tk. } 480,000$]. Thus, Mr. X's salary income for the facility is the annual value less rent paid by Mr. X, i.e., $\text{Tk. } 480,000 - \text{Tk. } 120,000 = \text{Tk. } 360,000$.

Case 7: Mr. X is given Tk. 300 monthly as entertainment allowance, whereas the actual entertainment expense was Tk. 3,000. The entire amount of the entertainment allowance i.e. $(300 \times 12) = \text{Tk. } 3,600$ will be added with salary, there will be no exemption for actual expense.

Case 8: If Mr. X is given Tk. 12,000 as medical allowance in a year and his actual medical expense is Tk. 10,000; His annual basic salary is Tk. 109,000. Under such circumstances, the taxable medical allowance will be Tk. 12,000 and actual medical allowance is irrelevant in this case.



EXHIBIT

Mr. X has withdrawn monthly salary of Tk. 7,000 on the last month of the current income year in the scale of Tk. 6,000 - 200 - 10,000 and his annual increment falls on April 1. What is his basic salary for the current income year?

5.3

Conveyance Benefits and Income earned from Employee Share Scheme

Case 1: Mr. X is an employee of Grameenphone and he is given Tk. 3,000 per month as conveyance allowance. So, the amount added with salary will be - conveyance allowance received $(3,000 \times 12) = \text{Tk. } 36,000$

Case 2(a): Mr. X is paid monthly Tk. 80,000 as basic salary and a 1500 cc full time motor car for both personal and official use. So, the amount added with salary will be - conveyance facility $(10,000 \times 12) = \text{Tk. } 120,000$.

Case 2(b): Mr. X is paid monthly Tk. 200,000 as basic salary and a 3000 cc full time motor car for both personal and official use. So, the amount added with salary will be - conveyance facility $(25,000 \times 12) = \text{Tk. } 300,000$.

Case 2(c): Mr. X is paid monthly Tk. 50,000 as basic salary and he has also been provided with conveyance facility only for official use. So, nothing will be added with salary. Here, it is important to note that the cost of the car/annual maintenance cost and proportion of personal/office use of the car is also irrelevant.

Case 2(d): Mr. X is paid monthly Tk. 70,000 as basic salary and he has also been provided with a conveyance facility through a 2000 cc motor car for both personal and official use. In addition to this he is also given Tk. 5000 monthly as conveyance allowance. So, the amounts added with salary will be: conveyance allowance received $(5,000 \times 12) = \text{Tk. } 60,000$, and conveyance facility $(10,000 \times 12) = \text{Tk. } 120,000$.

Case 3: Mr. Z has been given Tk. 100,000 as special travel allowance to Bali for his satisfactory performance in job. It was not a part of his service contract. Here the full amount i.e., Tk. 100,000 will be added with salary, as the passage has not been given as a part of service contract.

Case 4(a): Mr. Z has received 1000 shares (face value Tk. 10 per share, Market value Tk. 20 per share) under the Employee Share Scheme from ACI Limited at a 50% discounted price on May 10, 2023. Here, salary income will be added by Tk. 10,000 [Market value of the shares received $1000 \times 20 = \text{Tk. } 20,000$ less acquisition cost $1,000 \times 5 = \text{Tk. } 5,000$] for the employee share scheme.

Later, if Mr. Z transfers these 1000 shares @ Tk. 25 per share, capital gain amount will be $(25,000 - 20,000) = \text{Tk. } 5,000$ which will not be treated under income from employment.

Case 4(b): Mr. Z has been given an offer to receive 1000 shares (face value Tk. 10 per share) under the Employee Share Scheme by ACI Limited at a 10% discounted price with an option to transfer or sale the right to a third party. Mr. Z has transferred the right to another person at a price of Tk. 15 per share on May 10, 2023. In this case following amount will be added with the salary income as Income from Employee Share Scheme:

Price received to transfer the right to obtain shares from ESS to third party (1000×15)

Tk. 15,000	Tk. 6,000
Tk. 9,000	

Less: Acquisition price $(1,000 \times 10) \times 90\%$

Case 4(c): Mr. Z is an employee of ACI Limited. During the income year 2023-24, he has purchased 1000 shares of his company ACI Limited (face value Tk. 10 per share, Purchase price Tk. 20 per share). The market price of per share was Tk. 25 on June 30, 2024. In this case, no amount will be added with the salary income as he has not acquired the shares under the Employee Share Scheme.

Chapter - 5 Income from Employment

- **Gratuity:** Income upto Tk. 2.5 crore received as gratuity from the government, or an approved gratuity fund is exempted. [6th Sch. Part 1, Para 5, 6]
- **Accumulated Balance of Recognized Provident / Superannuation - Pension Fund:** Amount received from the funds by the employee at the end of service will be exempted and not to be added with salary.
- **Accumulated Balance of Unrecognized Provident Fund:** Amount received by the employee at the end of service will be added with salary to the extent of employer's contribution and interest thereof.
- **"Profits in lieu of salary" or "Profits in addition to salary" or Compensation:** If an employee receives a certain amount from the employer as compensation for job termination or changing job condition by the employer, as "Profits in lieu of salary" or "Profits in addition to salary", the entire amount will be added with salary.
- **Wages:** Generally, it is received by the workers against physical labor work. The full amount is taxable.
- **Other benefits:** If any benefit/annuity not discussed above, is provided to the employee, the members of his household or his dependents, there shall be included in his income equal to the amount which would have been expended by the employee in obtaining such benefit or annuity from an independent source in the same or near locality, had it not been so provided, as reduced by the amount, if any, expended wholly, necessarily and exclusively in the performance of the duties of the office held by him or actually paid by him in cash.

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NON-ASSESSABLE SALARY INCOMES

Following salary incomes are non-assessable/exempted (6th Sch., Part 1, ITA, 2023).

- **For employees other than government employees**
 - Lower of one third of total salary income or Tk. 450,000 (Para 27)
 - Any special allowance, benefits or perquisite specifically granted and reimbursed to meet some official expenses. (Para 14)
 - Gratuity up to Tk. 2.5 crore (Para 6)
 - Interest on recognized provident fund if it does not exceed 1/3rd of salary income (Excluding the said amount) [Schedule 2, Part 3, Para 5]
 - Any contribution received by the employee and employer from recognized provident fund, approved superannuation fund, pension fund, approved gratuity fund (Para 6)
- **For government employees**
 - Only, basic salary, festival allowance & bonus amount is taxable; other elements of salary including lump grants paid at the time of retirement are fully exempted from tax [SRO 225 - Law/IT-7/2023 dated 13 July 2023]. Exemption mentioned in Para 27 (Lower of one third of total salary income or Tk. 450,000) will not be applicable for the government employees.
 - Pension due or received from the government (Para 8)
 - Gratuity up to Tk. 2.5 crore (Para 5)

- Amount received at the time of voluntary retirement by a government employee or an employee of a local authority, or an autonomous or semi-autonomous body in accordance with any scheme approved by the government in this behalf. (Para 8)
- For foreign and other specific types of employees
 - Any income received by any ambassador, high commissioner, envoy, minister, charge d'affairs, commissioner, counselor, secretary, advisor of an embassy or high commission. (Para 2)
 - Salary of employee of an inter-government organization formed according to any Parliamentary Act or Treaty Signed by the government (Para 1).
 - Salary of a foreign worker, working in any Bangladeshi project, if specified as exempted by any SRO.

In addition to the above, NBR or Government exempted some employment income through issuing SROs, namely -

- If salary tax is paid by employer, tax shall not be applicable on such paid tax [SRO 182-law/99, dated 01.06.1999].
- Foreign expatriate having technical knowledge employed by any company, operating for production of goods or rendering service in any Economic Zone (established as per Bangladesh Economic Zone Act 2010), 50% of tax payable by him/her will be exempted from income tax for 3 years from appointment by said company [SRO 298-law/2015, dated 08.10.2015].

EXHIBIT

Other Components of Salary Income

Case 1: Mr. X is paid monthly Tk. 20,000 as basic salary and he has also been provided with a monthly fee of Tk. 500 for a special task conducted by him. In addition to it he is also given a 2 percent commission on net profit (net profit Tk. 50,000) annually. So, the amount added with salary will be: Fee $(500 \times 12) = \text{Tk. } 6,000$ and Commission $(50,000 \times 2\%) = \text{Tk. } 1,000$.

Case 2: Mr. X is paid monthly Tk. 20,000 as basic salary and he also contributes 10% of his basic salary to a recognized provident fund. His employer also contributes the same amount. In this case, the amount that will be recorded under salary will be: employer's contribution to R.P.F. $(240,000 \times 10\%) = \text{Tk. } 24,000$.

Case 3: Mr. X is paid monthly Tk. 30,000 as gross salary and he has also earned Tk. 60,000 as interest on recognized provident fund. Here, income from interest on RPF as salary income will be zero [interest Tk. 70,000 less $1/3^{\text{rd}}$ of salary excluding the interest i.e. $1/3^{\text{rd}}$ of $(360,000 - 60,000) = \text{Tk. } 100,000$]

Case 4: Mr. X, an employee of a commercial bank, has accepted the option of job termination/voluntary retirement from his office. He has been given Tk. 15,00,000 as compensation / golden handshake money in this regard. In this case, full amount of Tk. 15,00,000 will be recorded under salary.

Case 5: Mr. Y, an employee of a commercial bank, has retired after 20 years of service. He has received Tk. 3 crore as gratuity and Tk. 50 lac as accumulated balance from the recognized provident fund. Here, his gratuity of Tk. 50 lac [Tk. 3 crore - exemption 2.5 crore] and Zero accumulated RPF [Tk. 50 lac - full exemption] will be recorded under salary income.

Chargeability of Tax on Salary Income of Government Employees and Certain Persons

Following provisions have been introduced for chargeability of tax on salary income of the government employees and certain persons through different SROs:

Prime Minister, Speaker, Deputy Speaker, Ministers & advisors with minister rank, Members of the Parliaments, Chief Justice, Honorable Judges of High Court/Appellate Division of the Supreme Court	Only, basic salary or remuneration amount is taxable; other allowances (including festival bonuses) and elements of salary are fully exempted from tax [SRO 226 and 225 - Law/IT/2011 dated 4 th July 2011]
Government employees	Only, basic salary, festival allowance & bonus amount is taxable; other elements of salary* including lump grants paid at the time of retirement are fully exempted from tax [SRO225 Law/IT/2023 dated 13.7.23]

* medical allowance, new year allowance, house rent allowance, recreation allowance, education assistance allowance, in-charge allowance, hilltract allowance, travel allowance, conveyance allowance, tiffin allowance, dress allowance, entertainment allowance, washing allowance, special allowance, deputation allowance, deputation allowance in training institution, judicial allowance, post allowance, domestic aid allowance, risk allowance, acting allowance, motor cycle allowance, armor allowance, unconditional conveyance allowance, telecom allowance, cleaner allowance, driver allowance, mounted police allowance, PBX allowance, armed division allowance, bugler allowance, nursing allowance, daily or subsistence allowance, traffic allowance, ration money, border allowance, batman allowance, instructional allowance, appointment allowance, outfit allowance and guard police allowance.

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SALARY ITEMS INCLUDED IN INVESTMENT ALLOWANCE

From basic salary, the employer can deduct a certain amount of money under various heads according to the contract between employer and employee. Of those some of the deductions are eligible to be considered for tax rebate included under the title Investment Allowance. As per the rules explained in the Part 3 of Sixth Schedule of the ITA, 2023, the following items are considered as a part of the investment allowance (as per para 3, 4, 5, 6, and 17):

- Any income deducted to a deferred annuity or for making provisions for his wife or children, provided that the sum so deducted shall not exceed $1/5$ of the salary.
- Employee's contribution to a Government/Statutory Provident Fund.
- Employee's and Employer's contribution to a RPF.
- Ordinary annual contribution to approved superannuation fund.
- Employee's contribution to a benevolent fund or group insurance scheme.

EXHIBIT

Calculation of Salary Income **[Schedule 1 of Income Tax Return Form]**

Government Employees

Particulars	Amount Received (A)	Tax exempted (B)	Taxable (C = A - B)
1. Basic pay			
2. Arrear pay (included in taxable income earlier)			
3. Special pay			
4. House rent allowance			
5. Medical allowance			
6. Conveyance allowance			
7. Festival Allowance			
8. Servant Allowance			
9. Leave allowance			
10. Honorarium/ Reward/Fee			
11. Overtime allowance			
12. Bangla New Year / Boishakhi Allowance			
13. Interest accrued on govt. provident fund			
14. Lump Grant			
15. Gratuity			
16. Other, if any (give detail)			
Total			

Salaried Employees other than Government Employees

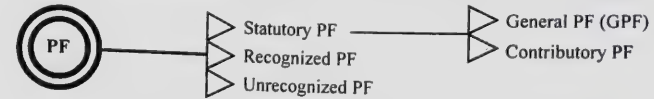
Particulars	Taka	Taka
1. Basic pay		
2. Allowances (House Rent, Conveyance, Medical etc.)		
3. Advance Salary		
4. Gratuity / Annuity / Pension / Any Supplement		
5. Perquisites		
6. "Profits in lieu of salary" or "Profits in addition to salary"		
7. Income earned from Employee Share Scheme		
8. Rent free accommodation		
9. Conveyance facility		
10. Any other benefits from the employer		
11. Employer's contribution to RPF		
12. Others (if any)		
13. Total Salary Receipt (Addition of 1 to 12)		XXXX
14. Less: Exempted Portion: (According to Part 1, 6 th Schedule)		XXXX
15. Total Income from Salary (13- 14)		XXXX

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PROVIDENT FUNDS

Provident fund (PF) is the fund where funds are accumulated during the active period of employees for his financial protection at the end of his service life through contribution by the employee or the employer or both. The amount lying in the fund is invested in trust securities that yield fair but secured returns. When an employee leaves his service either on retirement or for any other reason, he gets back the money standing to the credit of his PF account. In case of death of the employee, the amount is refunded to his nominee. PF is a social security measure provided to employees for his rainy days of post-employment period. There are three types of provident fund:



Statutory or Government Provident Fund: This PF is controlled and maintained by the government for the government employees, and run and constituted under PF Act 1925, General PF Rules 1979 and Contributory PF Rules 1979. Government employees, who are permanently transferred to pensionable jobs, contribute to the general PF where government as an employer contributes nothing. But, government employees, who have no benefits from pension, contribute to contributory PF where both the government and the employee contribute. Most of the government employees of our country are pensionable. Key points for tax computation in this regard are:

- ☐ Employer does not contribute to general PF. But government contributes to contributory PF which shall be included with salary income.
- ☐ Employee's contribution to statutory/government provident fund will be included in investment allowance.
- ☐ Accumulated balance of GPF at the credit of employees when received, is neither included in his total income nor taxed [Para 6, Part I of 6th Schedule, ITA, 2023].

Recognized Provident Fund: Recognized Provident fund (RPF) is constituted under the conditions mentioned in Part 3, Second schedule of the ITA 2023 and approved by the commissioner of taxes. These funds are available in non-government organizations where both employees and employer contribute the same amount. In order that a provident fund may receive and retain recognition, it shall satisfy the conditions set out below and any other conditions which the NBR may prescribe:

- ☐ All the employees shall be employed in Bangladesh or shall be employed by an employer whose principal place of business or head office is in Bangladesh. In exceptions, the recognition criteria depend on the Commissioner's judgment.
- ☐ Employer must deduct a certain percentage from the salary of employee and deposit the same to the fund.
- ☐ Employer will contribute the same amount as deducted from the employee.
- ☐ RPF will constitute taking the contribution of both the employer and employee.

SELF - REVIEW
5.2

Mr. Mollick receives basic salary of Tk. 50,000 per month. His other benefits are: rent free accommodation with annual rental value of Tk. 120,000; a 1500 cc full time car that he uses for both personal and office purposes; leave encashment 11 days basic salary. Calculate Mr. Mollick's taxable income from (a) rent free accommodation (b) conveyance facilities and (c) income under the head salary.

- ☐ The fund will be managed by trustee of two or more persons.
- ☐ Employer will not be able to take any amount from the fund.
- ☐ Employee will receive the amount deposited to his account including principal and interest at the time of leaving the job.

For RPF, following points need to remember at the time of tax computation.

- ☐ Only, employer's contribution and interest thereon are included in the total salary income of the employee as per the rules.
- ☐ Both employers and employee's contribution are a part of investment allowance.
- ☐ Accumulated balance of the RPF, when received shall be excluded from salary income under Para 6, Part 1 of Sixth Schedule of the ITA, 2023.

Unrecognized Provident Fund: Unrecognized provident fund (UPF) is not the recognized or statutory fund, i.e., this fund is not constituted under Part 3, 2nd sch. of the ITA 2023 or under any other applicable acts or laws and is not approved by the commissioner of taxes. In this fund, both the employees and employer contribute and generally it is found in non-government organization. In this case, the employers' contribution and interest thereon is not included in the total income of the employee. At the time of the employee's retirement, the accumulated balance of the UPF except employees' contribution and interest thereon is included in the total income. In addition, following points are relevant at the time of tax computation.

- ☐ Employer may contribute as well as employee to this provident fund, but nothing will be added in the salary income.
- ☐ At the time of employee's retirement, the accumulated balance of this fund minus the employee's contribution plus interest thereon is taxable salary income.

EXHIBIT

5.6

Comparative Analysis of Provident Funds

[PF: Provident Fund; GPF: General PF; CPF: Contributory PF; RPF: Recognized PF and UPF: Unrecognized PF]

☐ Applicable Law

GPF : Provident Fund Act, 1925 and General PF Rules, 1979
CPF : Provident Fund Act, 1925 and Contributory PF Rules, 1979
RPF : First Schedule, Part B of Income Tax Ordinance, 1984
UPF : Nil

☐ Type of employees

GPF : Government employees with pension benefit

CPF : Government employees without pension benefit
RPF : Non-government employees employed by Bangladeshi employer
UPF : Other non-government employees

☐ Fund Management

GPF : Government manage this fund within Bangladesh in taka
CPF : Government manage this fund within Bangladesh in taka
RPF : Government manage this fund within Bangladesh in taka
UPF : Employer himself manage the fund

☐ Employee's contribution

GPF : Under rule 5 of the GPF Rules 1979, after 2 years of job, all employees have to contribute. If employee wants contribution may be given from the beginning and can be stopped at 52 years of age. Amount is set by the employees under rule 9, but minimum rate will be:

Monthly Salary (Tk.)	Up to 600	601 - 1,000	1,001 - 1,500	1,501 - 4,000	Above 4,000
Rate	2%	4%	6%	8%	10%

CPF : Under Rule 7, each employee has to contribute to CPF monthly. Under Rule 8, the employee himself determine the rate of contribution that will not be less than 8.33%

RPF : Under Para 3, employee will contribute a fixed portion of his basic. If any employee holds voting rights of more than 5% of any company, his contribution will not be more than Tk. 500 [Rule 55].

UPF : The rate is determined by the rules set by the company under consideration.

☐ Employers' contribution

GPF : Government as an employer contributes nothing.

CPF : Under rule 11(1), government as an employer pays an equal amount as the employee pays.

RPF : Employer will not contribute more than the employee. But, if the monthly income of the employee is not more than 500, employer may contribute more but that must not be more than twice of the employee's contribution [rule 58(1)]

UPF : If mentioned in the contract, employer may contribute equal amount as the employee contributes. It may be non-contributory also.

☐ Rate of interest

GPF : Set by government. Presently, the rate is 13%.

CPF : Same as general PF

RPF : It depends on where the fund is invested.

UPF : It depends on where the fund is invested.

Tax assessment rules for different components of provident fund

In calculating taxable income -

	GPF	CPF	RPF	UPF
employees Contribution ¹ will be added with salary	No	No	No	No
employers' Contribution will be added with salary	N/A	Yes	Yes	No
interest on PF will be added with salary	No	No	Yes ²	No
amount received at retirement will be added with salary ³	No	No	No	Yes ⁴

¹Remain with salary, no further addition is thus required, ²Will be added with salary interest amount exceeding 1/3rd of total salary (excluding the said interest) [Para 5, Schedule 2], ³Sixth Schedule, Part 1, Para 6, ⁴Will be added with salary to the extent of employers' contribution and the interest thereon.

Exemption rules for different components of provident fund

Is it exempted from tax?	GPF	CPF	RPF	UPF
Employees Contribution	Yes	Yes	Yes	No
Employers' Contribution	N/A	Yes	Yes	N/A
Interest on PF	N/A	N/A	Yes	N/A
Amount received at retirement	N/A	N/A	N/A	No

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APPROVED SUPERANNUATION FUND (ASF) OR PENSION FUND (APF)

This fund is created for granting pension and other benefit to the employees on their retirement, or after a specified age or death. This is run by employee's name. This fund is approved and run under the provisions of Part 1, Second Schedule of the ITA, 2023. Both employee and employer contribute to the fund. The contribution of the employer is added to the income of the employee. But interest on this fund and any amount received from it is not added to income. Advantages of ASF are:

- ☐ Interest and other income from the fund is totally tax exempted.
- ☐ Any gain from sale or transfer of capital asset of the fund is tax-free income.
- ☐ Employees' contribution to the fund will be tax rebate able.
- ☐ Total amount received from the fund at retirement is tax exempted.
- ☐ The contribution of the employer is treated as admissible expense for him.

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APPROVED GRATUITY FUND (AGF)

If the employer agrees to constitute a gratuity fund for the employees on the contract of job, then the employer contributes to the gratuity fund for the benefit of the employees in the event of retirement. The approved gratuity fund is approved by NBR and run under the conditions mentioned in Part 2, First Schedule, ITA 2023. Employee contributes nothing in this fund. The contribution of the employer is considered as income of employee. But interest on this fund and any amount received from it is not added to income. Advantages of AGF include:

- ☐ Income from the fund is totally tax exempted.
- ☐ Any gain from sale or transfer of capital asset of the fund is tax-free income.
- ☐ Total amount received from the fund at retirement is tax exempted.
- ☐ The contribution of the employer is treated as admissible expense for him.

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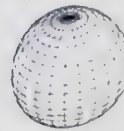
TAX DEDUCTED AT SOURCE FROM SALARY

Under section 86(1) of the ITA, 2023, any person who is responsible for paying any payment under the head "Income from Employment" to a recipient shall, at the time of payment, deduct tax at the average rate of tax applicable to the estimated total income of the payee under that head. At the time of making deductions under subsection (1), the amount to be deducted may be increased or decreased for the purpose of adjusting any excess or deficiency arising out of any previous deductions or failure to make deductions [Sec 86(4)]. The tax so deducted shall be adjusted against the tax liability at the time of regular assessment.



Mr. Akmal is a government employee enjoys general provident fund benefit whereas Mr. Maula a non-government employee enjoys recognized provident fund benefit. How can you differentiate provident fund benefits of these two employees?

INTERNATIONAL PRACTICE



A pay-as-you-earn tax (PAYE) or pay-as-you-go (in Australia and the United States) is a withholding tax on income payments to employees. Amounts withheld are treated as advance payments of income tax due. They are refundable to the extent they exceed tax as determined on tax returns. PAYE may include withholding the employee portion of insurance contributions or similar social benefit taxes. In most countries, they are determined by employers but subject to government review. PAYE is deducted from each paycheck by the employer and must be remitted promptly to the government. Most countries refer to income tax withholding by other terms, including pay-as-you-go tax. (Source: Wikipedia)

SOLVED PRACTICAL CASES (SPC)

SPC
5.1

BASIC BENEFITS UNDER SALARY

Mr. Abdur Rahman is a service holder. Compute his taxable income from employment and investment allowance for the current income year considering his basic salary (BS) Tk. 20,000 per month (pm); dearness allowance 10% of BS; two festival bonuses, each equal to one month's BS; house rent allowance 40% of BS; medical allowance Tk. 2,500 pm (actual expense Tk. 22,500).

He also received entertainment allowance Tk. 100 pm (actual expense Tk. 1,000); conveyance allowance Tk. 3,000 pm; and commission Tk. 3,000. Mr. Rahman and his employer contributed 10% of his BS to a recognize provided fund (RPF).

Assessee: Abdur Rahman	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024	
Income from Employment (section 32)		Amount	Amount
Basic pay		Tk. 240,000	
Dearness allowance		24,000	
House rent allowance		96,000	
Medical allowance		30,000	
Conveyance allowance		36,000	
Festival Allowance		40,000	
Commission		3,000	
Other allowances (entertainment)		1,200	
Employer's contribution to RPF		24,000	
Total receipt from salary			Tk. 494,200
Less: Exempted - Lower of 1/3 rd of total salary income and Tk. 450,000			
			Tk. 164,733
			Tk. 329,467

Investment Allowance: Employer's contribution to RPF Tk. 24,000 + Employee's contribution to RPF Tk. 24,000 = Tk. 48,000.

SPC
5.2

RENT FREE ACCOMMODATION, CONVEYANCE FACILITY

Mr. Salman is a service holder. Considering the following particulars of his income for the current income year, compute his taxable income and investment allowance. His basic salary (BS) is Tk. 25,000 per month; dearness allowance 10% of BS; two festival bonuses, each equal to one month's BS. He has also been provided with a rent-free quarter, the annual rental value of which is Tk. 150,000; a 1500 cc car for both office and private use; and medical allowance Tk. 3,000 per month. During the year he received Tk. 6,000 as traveling allowance for official purpose. He contributes to an unrecognized provident fund @ 10% of BS and received interest on the accumulated balance of the fund @ 13% Tk. 2,500. He is also given servant allowance of Tk. 200 per month. He contributes 1% of his BS to a group insurance scheme. He deposits monthly Tk. 12,000 in a deposit pension scheme.

Assessee: Salman	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from Employment (section 32)	Amount	Amount
Basic pay (25,000 × 12)	Tk. 300,000	
Dearness allowance (10% of Tk. 300,000)	30,000	
Festival bonus (25,000 × 2)	50,000	
Rent free accommodation (note 1)	150,000	
Conveyance facility (note 2) (10,000 × 12)	120,000	
Medical allowance (3,000 × 12)	36,000	
Servant allowance (200 × 12)	2,400	
Total receipt from salary		Tk. 688,400
Less: Exempted – Lower of 1/3 rd of total salary income and Tk. 450,000 i.e. (Tk. 688,400 ÷ 3) = Tk. 229,467 and Tk. 450,000		Tk. 229,467
Income from Salary		Tk. 458,933

Notes: (1) Rental value i.e. Tk. 150,000 (2) Monthly @ Tk. 10,000 (3) Since the travelling allowance was given for official purpose, the full amount is non-assessable.

Actual allowable investment: Employee's contribution to group insurance scheme 1% of BS (300,000 × 1%), i.e., Tk. 3,000 + contribution to DPS (12,000 × 12 = Tk. 144,000 but maximum limit is Tk. 120,000), i.e., Tk. 120,000 = Tk. 123,000.

SPC
5.3

CONCESSIONAL ACCOMMODATION, CONVEYANCE FACILITY & ALLOWANCE, ARREAR SALARY, TELEPHONE BILL REIMBURSED, COMPENSATION

Mr. Nahid Hasan Khan is a service holder. He received basic salary (BS) Tk. 25,000 per month; dearness allowance 10% of BS; two festival bonuses, each equal to one month's BS. He has been provided with a house at a concessional rate for which Tk. 7,000 per month is deducted from his salary. The annual value of the house is Tk. 150,000. He has been provided with a 2000 cc car for both office and private use. Besides, he is also provided with Tk. 1,000 per month as conveyance allowance. He has also been provided with telephone facilities at his residence. The telephone bill

reimbursed for the year amounted to Tk. 12,000. During the year, he received arrear salary of Tk. 16,000, not charged to income for any earlier income year. Both Mr. Khan and his employer contributed @ 10% of BS to an unrecognized provident fund. From the previous employer, he received compensation Tk. 50,000; gratuity Tk. 50,000 and overtime allowances Tk. 5,000. Compute his taxable income from employment considering the given particulars for the current income year.

Assessee: Nahid Hasan Khan	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from Employment (section 32)	Amount	Amount
Basic pay (25,000 × 12)	Tk. 300,000	
Dearness allowance (10% of Tk. 300,000)	30,000	
Festival bonus (25,000 × 2)	50,000	
Concessional accommodation [note 1]	66,000	
Conveyance facility [note 2]	120,000	
Conveyance allowance (1,000 × 12)	12,000	
Telephone bill reimbursed by employer	12,000	
Arrear salary received	16,000	
Compensation received	50,000	
Overtime allowance	5,000	
Total receipt from salary		Tk. 661,000
Less: Exempted – Lower of 1/3 rd of total salary income and Tk. 450,000 i.e. (Tk. 661,000 ÷ 3) = Tk. 220,333 and Tk. 450,000		Tk. 220,333
Income from Salary		Tk. 440,667

Notes: (1) Rental value Tk. 150,000 less rent paid by the assessee (7,000 × 12 = 84,000). Thus, taxable income is Tk. 150,000 – Tk. 84,000 = Tk. 66,000. (2) Monthly @ Tk. 10,000 (3) Gratuity upto Tk. 2.5 crore is exempted from tax. (4) Employer's contribution to unrecognized provident fund is excluded from total income.

SPC
5.4

GOVERNMENT EMPLOYEE

Mr. M. Hossain, the Additional Secretary of the Ministry of Finance, Government of the People's Republic of Bangladesh receives basic salary (BS) of Tk. 40,000 per month in the current income year. Besides, he received house rent allowance @ 60% of BS; medical allowance Tk. 2,000 per month, conveyance allowance Tk. 1,500 per month. During the year, he received two festival bonuses, each equal to one month's BS and Tk. 8,000 Bangla New Year Allowance. He contributes 10% of BS in a statutory provident fund (SPF) and interest earned from the said SPF Tk. 30,000 during the year. Compute taxable income for Mr. Hossain for the income year.

Assessee: M. Hossain	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from Employment (section 32)	Earned	Exempted Taxable
Basic pay (40,000 × 12)	Tk. 480,000	Tk. - Tk. 480,000
House rent allowance (60% of Tk. 480,000)	288,000	288,000 -
Medical allowance (2,000 × 12)	24,000	24,000 -

	18,000	18,000	
Conveyance Allowance (1,500 × 12)	80,000		80,000
Festival bonus (40,000 × 2)	8,000	8,000	
Bangla New Year Allowance			
Total income from salary	Tk. 898,000	Tk. 338,000	Tk. 560,000

Notes: As Mr. Hossain is a government employee, only basic salary, bonus and festival allowance is taxable. All other allowances are fully exempted from tax as per SRO 225 - Law/IT-7/2023 dated 13 July 2023 - Ref. 5.5

SPC
5.5

SALARY STRUCTURE, RENT-FREE ACCOMMODATION, TRAVEL ALLOWANCE, COMPUTING TAX LIABILITY, MINIMUM TAX

On the last month of the income year, Mr. Azad Rahman's basic salary (BS) falls on Tk. 32,000 in the scale of 30,000 - 2,000 × 4 - 38,000. Date of annual salary increment is on 1st April. He received dearness allowance and medical allowance both @ 10% of BS per month. During the year, his actual amount of medical expenses was Tk. 30,000. He received three bonuses, two festival (in August and January) and one performance bonuses (in May) each equivalent to one month's BS. He contributes 10% of his BS to a recognized provident fund (RPF). His employer also contributes the same amount to the RPF. He has been provided with a rent-free quarter (annual rental value Tk. 180,000) and a 1500 cc car for both official and personal use. During the year he has also received an entertainment allowance of Tk. 13,000 of which Tk. 10,000 has actually been spent. He has also received arrear salary of Tk. 60,000 which has not been taxed earlier. He has been given travel allowance of Tk. 10,000 during the year for an official tour. His investments during the year include: purchase of listed company's and partnership firm's shares Tk. 20,000 and Tk. 5,000 respectively; purchase of gold Tk. 10,000; payment of his life insurance premium Tk. 40,000 (policy value Tk. 350,000); purchase of books and magazine Tk. 3,000; monthly contribution to a deposit pension scheme Tk. 4,000 and Bangladesh Universal Pension Scheme (Progoti) Tk. 3,000; and donation to the Baitul Mokarram Mosque Tk. 10,000. Compute taxable income and tax liability of Mr. Azad Rahman for the year assuming that he is a taxpayer of Dhaka North City Corporation Area.

Assessee: Azad Rahman	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Income from Employment (section 32)		
Basic pay [(30,000 × 9) + (32,000 × 3)]	Tk. 366,000	
Dearness allowance (10% of Tk. 366,000)	36,600	
Medical allowance (10% of Tk. 366,000) (note 1)	36,600	
Bonus (30,000 + 30,000 + 32,000)	92,000	
Employer's contribution to RPF (10% of 366,000)	36,600	
Rent free accommodation	180,000	
Conveyance facility (CF) (note 2)	120,000	
Entertainment allowance	13,000	
Arrear salary	60,000	
Total receipt from salary		Tk. 940,800

Less: Exempted as Lower of 1/3rd of total salary income and Tk. 450,000
i.e., (Tk. 940,800 ÷ 3) = Tk. 313,600 and Tk. 450,000

Income from Salary	Tk. 313,600
	Tk. 627,200

Tax computation and Payment

Gross tax before tax rebate (workings)	Tk. 22,720
Less: Tax rebate (Schedule 5)	18,816
Net tax after tax rebate (a)	3,904
Minimum tax (b)	5,000
Net amount payable [higher of (a) and (b)]	5,000
Add: Surcharges - Net Wealth/Environmental Surcharge (if any)	-
Add: Interest, fine, or any other payment under ITA, 2023	-
Total Amount Payable	5,000
Less: Payments -	
a. Tax deducted or collected at source	Tk. -
b. Advance tax paid	-
c. Adjustment of tax refund (if any, mentioning the year)	-
d. Amount paid with return [Balancing Figure]	5,000
Total amount paid and adjusted (a + b + c + d)	5,000
Deficit or excess	Tk. -
Tax exempted income	Tk. 313,600

Schedule 5

Particulars of investment allowance	Amount
1. Purchase of shares of listed company	Tk. 20,000
2. Employee's & employer's contribution to RPF (36,600 × 2)	73,200
3. Payment of life Insurance Premium 40,000; maximum 10% of the policy value	35,000
4. Contribution to Deposit Pension Scheme (4000 × 12)	48,000
5. Contribution to Universal Pension Scheme (3000 × 12)	36,000
Total investment allowance	Tk. 212,200

Tax Rebate

A. 3% of total income* (Tk. 627,200 @ 3%)	Tk. 18,816	Lower of
B. 15% on total investment allowance (Tk. 212,200 @ 15%)	Tk. 31,830	A, B, and C,
C. Tk. 1,000,000	Tk. 1,000,000	i.e., Tk. 18,816

*excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 177,200	Total Tk. 627,200
Rate	0%	5%	10%	-
Tax		5,000	17,720	22,720

Notes: (1) Actual medical expense is irrelevant. (2) Monthly @ Tk. 10,000. (3) Travel Allowance: Fully exempted when given for office tour.



WOMEN TAXPAYER, BILLS REIMBURSEMENT, DRIVER ALLOWANCE, TRAVEL ALLOWANCE, COMPUTING TAX LIABILITY

Ms. Nazmun Nahar is the head of Accounts of a multinational company in Bangladesh. She joined the company on the first day of this income year as her first job. She has received the following income for the year. You are required to calculate her total income and tax liability for the year.

Basic pay (BS) Tk. 150,000 per month sent directly to her bank account; rent free fully furnished accommodation, the annual rental value of the house is Tk. 500,000; a full time 3,000 cc company car for her own use and for her family; driver's salary of the full time car Tk. 10,000 per month paid to her driver's bank account; company pays Tk. 20,000 per month for her two school going children which is paid to the school authority directly; she received two festival bonuses each equivalent to BS during the Eid time which she spent partly for her family and partly for the poor people in her village; company paid Tk. 190,000 to her during the year being the reimbursement of various utility bills of her house; personal mobile bill paid by the company Tk. 5,000 per month. She was paid Tk. 200,000 for her overseas travels for a recreation trip as a reward for good performance during the year; Bill paid for the membership of an international club by the company Tk. 250,000. She also received a medical allowance Tk. 15,000 per month; during the year actual medical expense was Tk. 100,000; entertainment allowance Tk. 10,000 per month; actual expense in this regard Tk. 150,000. She received 2,000 shares (face value Tk. 10 per share, Market value Tk. 20 per share) under the Employee Share Scheme from the company at a 50% discounted price on May 30. She has contributed 10% of her BS to a recognized provident fund (RPF). Her employer also contributed the same amount. She earned interest Tk. 66,000 on the said fund @ 13% during the period. She has contributed 2% of her BS to a group insurance scheme.

During the year she has claimed the following expenditures for investment allowance: purchase of debentures from the DSE Tk. 25,000; life insurance premium Tk. 20,000 (policy value Tk. 250,000); household expenses Tk. 200,000; payment to income tax lawyer Tk. 25,000; purchase of savings certificate Tk. 600,000; donated to the Bangladesh Muktiyoddho Jadughor, Government Zakat Fund, and a Charitable Hospital in Gaibandha Tk. 50,000, Tk. 25,000, and Tk. 10,000 respectively. She paid installment for a 5 katha plot to the Bashundhara Group Tk. 40,000 and Purchased gold of Tk. 100,000. Her net wealth at the end of the income year was valued at Tk. 5 crore (including 2 motor cars of 1500 cc and 2000 cc respectively). Tax deducted at source Tk. 300,000; Advance tax paid for motorcars in total Tk. 75,000.

Assessee: Nazmun Nahar	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from Employment (section 32)	Amount	Amount
Basic pay (150,000 × 12)	Tk. 1,800,000	
Rent Free Accommodation (Annual Value)	500,000	

Conveyance Facility (Monthly @ 25,000) (note 1)	300,000
Allowance for children (20,000 × 12)	240,000
Bonus (150,000 × 2) (note 2)	300,000
Utility bills reimbursed by the company	190,000
Mobile bill allowance (5,000 × 12)	60,000
Travel Allowance	200,000
Club membership fee	250,000
Medical allowance (15,000 × 12) (note 3)	180,000
Entertainment allowance (10,000 × 12) (note 4)	120,000
Income from Employee Share Scheme (note 5)	30,000
Employer's contribution to RPF (10% of 18,00,000)	180,000
Interest on RPF @ 13% (note 6)	66,000
Total receipt from salary	Tk. 4,416,000
Less: Exempted -	

1. Lower of 1/3rd of total salary income and Tk. 450,000
i.e. (Tk. 44,16,000 ÷ 3) = Tk. 14,72,000 and Tk. 450,000
2. Full interest on RPF (note 6)

Income from Salary	Tk. 450,000	Tk. 516,000
	66,000	Tk. 3,900,000

Tax computation and Payment

Gross tax before tax rebate (workings)	Tk. 720,000
Less: Tax rebate (Schedule 5)	117,000
Net tax after tax rebate (a)	603,000
Minimum tax (b)	5,000
Net amount payable [higher of (a) and (b)]	603,000

Add: Surcharges -	
Net Wealth Surcharge (10% of Tk. 603,000)	Tk. 60,300
Environmental Surcharge (for the higher capacity car of 2000 cc)	50,000
Add: Interest, fine, or any other payment under ITA, 2023	
Total Amount Payable	713,300

Less: Payments -	
a. Tax deducted or collected at source	Tk. 300,000
b. Advance tax paid	75,000
c. Adjustment of tax refund (if any, mentioning the year)	-
d. Amount paid with return [Balancing Figure]	338,300
Total amount paid and adjusted (a + b + c + d)	Tk. 713,300
Deficit or excess	Tk. -
Tax exempted income	Tk. 516,000

Schedule 5

Particulars of investment allowance	Amount
1. Purchase of debentures	Tk. 25,000
2. Employee's & employer's contribution to RPF (180,000 × 2)	360,000

3. Payment of life Insurance Premium 20,000; maximum 10% of the policy value
4. Purchase of Savings Certificate Tk. 600,000 (Maximum upto Tk. 500,000)
5. Contribution to Bangladesh Muktijuddho Jadughor
6. Contribution to Government Zakat Fund
7. Contribution to a Charitable Hospital in Gaibandha
8. Contribution to Group Insurance Scheme (1,800,000 × 2%)

Total Investment Allowance

Tax Rebate

- A. 3% of total income* (Tk. 3,900,000 @ 3%)
- B. 15% on total investment allowance (Tk. 1,026,000 @ 15%)
- C. Tk. 1,000,000

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 400,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 20,00,000	Total (Tk.) 39,00,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%	
Tax		5,000	40,000	75,000	100,000	500,000	720,000

Notes: (1) Driver's salary of the full-time car is irrelevant, as driver is a part of full-time car. So, no additional amount will be added in this regard (2) How the bonus money is spent, is irrelevant (3) Actual medical expense is irrelevant (4) Actual entertainment expenses is irrelevant (5) Market price - Acquisition price i.e. [(2,000 × Tk. 20) - (2,000 × Tk. 5)] = Tk. 30,000 (6) As per 2nd schedule, part 3, para 5(2), interest on RPF is exempted up to 1/3rd of salary income excluding the said interest [i.e., 1/3rd of (Tk. 44,16,000 - Tk. 66,000) = Tk. 14,50,000].

SPC
5.7

SALARY INCREMENT, TDS, INTEREST ON SANCHAYPATRA, TAX LIABILITY

On the first day of the current income year, Mr. Tareq Anwar's basic salary (BS) falls on Tk. 52,000 in the scale of 40,000 - 4,000 × 8 = 72,000. His date of yearly salary increment is on 16th April. He received dearness allowance @ 20% of BS and medical allowance Tk. 3,000 per month. During the year, his actual amount of medical expense was Tk. 30,000. He has also received Tk. 50,000 as medical bill reimbursement for his eye operation. He received two festival bonuses (in September and December) and one performance bonus (in May) each equivalent to one month's BS. He contributes 10% of his BS to a recognized provident fund (RPF). His employer also contributes the same amount to the RPF. He has been provided with a concessional accommodation facility (annual rental value of Tk. 160,000) for which the company charges him only Tk. 5,000 per month and Tk. 5,000 conveyance allowance per month. The company gave him an international air ticket for a tour as a part of his service contract for which the company spent Tk. 35,000. During the year he has also received an entertainment allowance of Tk. 30,000, Servant allowance Tk. 12,000, Leave encashment Tk. 20,000. His taxable income from other sources (interest on Bangladesh Savings Certificate/Sanchaypatra) was Tk. 200,000 during the year.

20,000
500,000
50,000
25,000
10,000
36,000
Tk. 1,026,000

Tk. 117,000	Lower of
Tk. 153,900	A, B, and C,
Tk. 1,000,000	i.e., Tk. 117,000

Chapter - 5 Income from Employment

His investments during the year were: purchase of a private limited company's share Tk. 10,000; purchase of a registered partnership firm's share Tk. 8,000; payment of life insurance premiums: self Tk. 12,000 (policy value Tk. 100,000), spouse Tk. 10,000 (policy value Tk. 120,000); purchase of books and magazine Tk. 3,000; contribution to a superannuation fund Tk. 500 per month; donation to Lab Aid Hospital Tk. 15,000; Contribution to DBBL Deposit Pension Scheme @ Tk. 6,000 per month; Contribution to BD Universal Pension Scheme (Progoti) @ Tk. 5,000 per month. Compute taxable income and tax liability of Mr. Tareq Anwar for the year, assuming that he is the father of a handicapped / special child and his employer deducted Tk. 25,000 TDS from his salary. TDS on interest on Bangladesh Savings Certificate @ 10% was Tk. 20,000.

Assessee: Tareq Anwar	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Income from Employment (section 32)		
Basic pay [(52,000 × 9.5) + (56,000 × 2.5)]		Tk. 634,000
Dearness allowance (634,000 × 20%)		126,800
Medical Allowance (3,000 × 12) (note 1)		36,000
Bonus (52,000 + 52,000 + 56,000)		160,000
Employer's contribution to RPF (10% of 634,000)		63,400
Concessional accommodation (Annual/Rental Value - rent paid)		100,000
Conveyance allowance		60,000
Entertainment allowance		30,000
Servant Allowance		12,000
Leave encashment		20,000
Total receipt from salary		Tk. 1,242,200
Less: Exempted - Lower of 1/3 rd of total salary income and Tk. 450,000 i.e. (Tk. 12,42,200/3) = Tk. 414,067 and Tk. 450,000		414,067
Income from Employment (On which regular rate is applicable)		828,133
Income from Financial Assets (Section 62)		
Interest on Sanchaypatra: Min. tax is applicable u/s 163, 105 (note 4)		200,000
Total Income		Tk. 1,028,133

Tax computation and Payment

Gross tax before tax rebate (workings)	Tk. 57,813
Less: Tax rebate (Schedule 5)	24,844
Net tax after tax rebate (a)	32,969
Minimum tax (b)	5,000
Net amount payable [higher of (a) and (b)]	32,969
Add: Surcharges	
Net Wealth Surcharge (if any)	Tk. -
Environmental Surcharge (if any)	Tk. -
Add: Interest, fine, or any other payment under ITA, 2023	
Total Amount Payable	32,969

Less: Payments	
a. Tax deducted or collected at source (note 5)	Tk. 45,000
b. Advance tax paid	-
c. Adjustment of tax refund (if any, mentioning the year)	-
d. Amount paid with return	-
Total amount paid and adjusted (a + b + c + d)	45,000
Deficit or excess	Tk. (12,031)
Tax exempted income (see schedule 1)	Tk. 414,067

Schedule 5

Particulars of investment allowance

Particulars	Amount
1. Payment of life Insurance Premium - self 12,000; max 10% of the policy value	Tk. 10,000
2. Payment of life Insurance Premium - Spouse 10,000; max 10% of the P. value	10,000
3. Employee's & employer's contribution to RPF (63,400 × 2)	126,800
4. Contribution to Superannuation fund (500 × 12)	6,000
5. Contribution to Deposit Pension Scheme (6000 × 12)	72,000
6. Contribution to Universal Pension Scheme (5000 × 12)	60,000
Total Investment Allowance	Tk. 284,800

Tax Rebate

A. 3% of total income*	(Tk. 828,133 @ 3%)
B. 15% on total investment allowance	(Tk. 284,800 @ 15%)
C. Tk. 1,000,000	

Tk. 24,844	Lower of
Tk. 42,720	A, B, and C,
Tk. 1,000,000	i.e., Tk. 24,844

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

Income on which regular rate is applicable			On sanchaypatra interest	Total Tk.
On first Tk.	On next Tk.	On next Tk.	On Tk. (note 4)	
400,000 (note 3)	100,000	328,133	200,000	1,028,133
Rate @ 0%	@ 5%	@ 10%	@ 10%	
Tax -	5,000	32,813	20,000	57,813

Notes: (1) Actual medical expense is irrelevant. Medical bill reimbursement for eye operation is not taxable u/s 32(2). (2) TA Fully exempted when given for office tour. (3) Non-assessable limit is Tk 50,000 higher for each disabled child from the regular limit. (4) TDS on interest on sanchaypatra is a final payment of tax liability under SRO 253 Law Income Tax - 9/2023. 23/08/23. (5) TDS - on salary Tk. 25,000 & On sanchaypatra interest Tk. 20,000. (6) Investment in shares of private limited companies and partnership firms are not allowable investments.



TERMINATION BENEFITS, SALARY INCREMENT

Mr. Hasan Ahmed was the HR Manager of Axiata Bangladesh Ltd. On the first month of the current income year, his basic salary (BS) was Tk. 52,000. He has resigned from Axiata Bangladesh Ltd on 31st December, 2023 of the income year and Joined Grameenphone (GP) Ltd on 1st February of 2024. Considering the following information, compute taxable income and tax liability of Mr. Ahmed for the year.

- **Income from Axiata:** He received dearness allowance @ 10% of BS, house rent allowance @ 50% of BS, medical allowance Tk. 5,000 per month, entertainment allowance of Tk. 1,000 per month, and a 1500 cc full time car. He contributed 10% of his BS to a recognized provident fund (RPF). He has received compensation for the termination of Tk. 10,00,000 and gratuity of Tk. 400,000. Moreover, his accumulated balance from the RPF was Tk. 600,000.
- **Income from Grameenphone:** His BS was Tk. 60,000 per month. Other facilities were - rent-free accommodation (Annual value Tk. 360,000); medical allowance Tk. 6,000 per month; two festival bonuses each equal to one month's basic (one in April, one in June), servant allowance Tk. 2,000 per month, and a full-time car of 2,600 cc. He and his employer both contributed 10% of his BS to a RPF.
- **Other data:** His taxable income from other sources (Advisory services) was Tk. 400,000 for the year and total TDS from various sources of his income was Tk. 120,000. His net wealth amount on June 30, 2024 stood at Tk. 11 crore.

Moreover, he claimed a refund of Tk. 10,000 for additional tax in the last for the adjustment with current year's tax liability. His investments during the year include the purchase of a laptop Tk. 110,000; purchase of sanchaypatra Tk. 600,000; payment of his life insurance premium Tk. 40,000 (policy value Tk. 500,000) and contribution to DPS Tk. 12,000 per month. As a part of his contribution to the society, during the year he has donated Tk. 50,000 to Bharateswari Homes (BH), a residential Higher Secondary School for girls, Tk. 100,000 to Ahsanullah Institute of Technical and Vocational Education and Training (AITVET), Tk. 50,000 to Bangladesh Agricultural Research Institute (BARI), and Tk. 30,000 to a local club in his neighborhood through bank transfer.

Assessee: Hasan Ahmed	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from Employment (section 32)		
	Amount	Amount
Basic pay [(52,000 × 6) + (60,000 × 5)] (note 1)	Tk. 612,000	
Dearness allowance (312,000 × 10%)	31,200	
House rent allowance (312,000 × 50%)	156,000	
Medical Allowance [(5,000 × 6) + (6,000 × 5)]	60,000	
Entertainment allowance (1,000 × 6)	6,000	
Conveyance facilities [(10,000 × 6) + (25,000 × 5)]	185,000	
Employer's contribution to RPF (10% of 612,000)	61,200	
Compensation for Termination	1,000,000	
Gratuity	400,000	
Accumulated Balance from RPF	600,000	
Rent Free Accommodation (Tk. 360,000 ÷ 12 × 5)	150,000	
Bonus (60,000 + 60,000)	120,000	
Servant Allowance (2,000 × 5)	10,000	
Total receipt from salary		Tk. 3,391,400
Less: Exempted -		

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1. Lower of 13 th of total salary income and Tk. 450,000 i.e. (Tk. 3,391,400 ÷ 3) = Tk. 1,130,467 and Tk. 450,000	Tk. 450,000
2. Gratuity (note 2)	400,000
3. Accumulated balance from RPF (note 3)	600,000
Income from Employment	1,450,000
Income from Other Sources (Advisory fee)	1,941,400
Total Income before deduction under Part 2, 6th Sch	400,000
Less: Deduction for the contribution made under Part 2, 6th Sch. (note 4)	2,341,400
Total Income	200,000
	Tk. 2,141,400

Tax computation and Payment	Tk. 292,850
Gross tax before tax rebate (workings)	64,242
Less: Tax rebate (Schedule 5)	228,608
Net tax after tax rebate (a)	5,000
Minimum tax (b)	228,608
Net amount payable [higher of (a) and (b)]	
Add: Surcharges -	Tk. 45,722
Net Wealth Surcharge (20% of Tk. 228,608)	
Environmental Surcharge (if any)	45,722
Add: Interest, fine, or any other payment under ITA, 2023	
Total Amount Payable	274,330
Less: Payments -	Tk. 120,000
a. Tax deducted or collected at source	
b. Advance tax paid	
c. Adjustment of tax refund (AY 23-24)	10,000
d. Amount paid with return [Balancing figure]	144,330
Total amount paid and adjusted (a + b + c + d)	274,330
Deficit or excess	Tk. -
Tax exempted income (see schedule 1)	Tk. 1,450,000

Schedule 5

Particulars of investment allowance	Amount
1. Payment of life Insurance Premium - self 40,000; max 10% of the policy value	Tk. 40,000
2. Employee's & employer's contribution to RPF (61,200 × 2)	122,400
3. Purchase of Sanchayapatra (Out of actual inv. Tk. 600,000, max. Tk. 500,000)	500,000
4. Contribution to Deposit Pension Scheme Tk. 144,000 (max Tk. 120,000)	120,000
Total Investment Allowance	Tk. 782,400

Tax Rebate

A. 3% of total income* (Tk. 2,141,400 @ 3%)	Tk. 64,242	Lower of
B. 15% on total investment allowance (Tk. 782,400 @ 15%)	Tk. 117,360	A, B, and C,
C. Tk. 1,000,000	Tk. 1,000,000	i.e., Tk. 64,242

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 291,400	Total (Tk.) 2,141,400
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%	
Tax	-	5,000	40,000	75,000	100,000	72,850	292,850

Notes: (1) BS: Axiata Tk. 312,000, Grameenphone Tk. 300,000 (2) Up to Tk. 2.5 crore is exempted (3) Full amount is exempted (4) Donation to BH, AITVET, and BARI is deducted as per Part 2, 6th Schedule of the ITA, 2023.

SURCHARGE, LEAVE ENCASHMENT, EMPLOYEE SHARE SCHEME



Mr. Nisar Ahmed, a Bangladeshi citizen, joined S. Ltd. in Dhaka on November 1 of the current income year with a basic salary of Tk. 110,000 and 40% house rent allowance. He stayed in Doha for a job from 1.03.20 and came back to Bangladesh on 17.10.23. In addition to basic salary (BS) and house rent, Mr. Ahmed also enjoys the following benefits during the period: a 1700 cc full time car with Tk. 5,000 per month (pm) as allowance for conveyance; 10% of BS as entertainment allowance (he spent the full amount); servant allowance Tk. 2,000 pm; Tk. 70,000 from worker's participation fund; 2 festival bonuses each equal to one month's basic; medical allowance Tk. 2,000 pm (actual expense Tk. 20,000); Leave encashment 12 days BS.

Mr. Ahmed contributes 10% of his BS to a recognized provident fund (RPF) like his employer. As per the terms of employment, Mr. Ahmed has been given an offer to receive 1000 shares (face value Tk. 10 per share) under the Employee Share Scheme by the organization at a 10% discounted price with an option to transfer or sale the right to a third party. Mr. Ahmed transferred the right to another person at a price of Tk. 15 per share on May 10, 2024. He also received Tk. 150,000 for different official tours and Tk. 200,000 for the operation of his kidney during the year.

Mr. Ahmed has made investments during the period as: contribution to DPS Tk. 12,000 pm; BD Universal Pension Scheme Tk. 5,000 per month; purchase of debenture from DSE Tk. 30,000; purchase of shares: primary Tk. 50,000, secondary Tk. 100,000, and Mohamedan Sporting Clubs share Tk. 30,000; purchased a personal desktop computer Tk. 60,000; donated to Government Zakat Fund Tk. 600,000; purchase of government treasury bond Tk. 50,000. Compute tax liability for the year assuming total tax deducted at sources amount Tk. 120,000 and his net asset worth Tk. 3.5 crore at the year end. He owns two motor cars of 1500 cc and 1800 cc respectively and paid a total Tk. 75,000 as advance tax.

Assessee: Nisar Ahmed	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Income from Employment (section 32)		
Basic pay (110,000 × 12)	Tk. 1,320,000	
House rent allowance (1,320,000 × 40%)	528,000	
Conveyance facilities (10,000 × 12)	120,000	

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	60,000	
Conveyance Allowance (5,000 × 12)	132,000	
Entertainment allowance (1,320,000 × 10%)	24,000	
Servant Allowance (2,000 × 12)	70,000	
Receipt from Worker's Participation Fund	220,000	
Festival bonus (110,000 × 2)	24,000	
Medical Allowance (2,000 × 12)	44,000	
Leave encashment (110,000 ÷ 30 × 12)	132,000	
Employer's contribution to RPF (10% of 1,320,000)	6,000	
Income from Employee Share Scheme (note 2)		Tk. 2,680,000
Total receipt from salary		450,000
Less: Exempted – Lower of 1/3 rd of total salary income and Tk. 450,000 i.e. (Tk. 26,80,000/3) = Tk. 8,93,333 and Tk. 450,000		Tk. 2,230,000
Income from Employment		

Tax computation and Payment

Gross tax before tax rebate (workings)	Tk. 315,000	
Less: Tax rebate (Schedule 5)	66,900	
Net tax after tax rebate (a)	248,100	
Minimum tax (b)	5,000	
Net amount payable [higher of (a) and (b)]	248,100	
Add: Surcharges –		
Net Wealth Surcharge (10% of Tk. 248,100) (note 5)	Tk. 24,810	
Environmental Surcharge (for higher capacity i.e. 1800 cc)	50,000	74,810
Add: Interest, fine, or any other payment under ITA, 2023		-
Total Amount Payable		322,910
Less: Payments –		
a. Tax deducted or collected at source	Tk. 120,000	
b. Advance tax paid	75,000	
c. Adjustment of tax refund	-	
d. Amount paid with return [Balancing figure]	127,910	
Total amount paid and adjusted (a + b + c + d)		322,910
Deficit or excess	Tk. -	
Tax exempted income	Tk. 4,50,000	

Schedule 5

Particulars of investment allowance

	Amount
1. DPS (12,000 × 12 = 144,000 where maximum limit is Tk. 120,000)	Tk. 120,000
2. Universal Pension Scheme (5,000 × 12)	60,000
3. Employee's & employer's contribution to RPF (132,000 × 2)	264,000
4. Purchase of debenture and shares from stock exchange (note 4)	180,000
5. Donation to Government Zakat Fund	600,000
6. Purchase of treasury bond	50,000
Total Investment Allowance	Tk. 1,274,000

Tax Rebate

- A. 3% of total income* (Tk. 2,230,000 @ 3%)
 B. 15% on total investment allowance (Tk. 1,274,000 @ 15%)
 C. Tk. 1,000,000

Tk. 66,900	Lower of
Tk. 191,100	A, B, and C,
Tk. 1,000,000	i.e. Tk. 66,900

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 3,80,000	Total (Tk.) 22,30,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%	-
Tax	-	5,000	40,000	75,000	100,000	95,000	315,000

Notes: (1) Days of staying in BD in the I/Y 2023-24: (Oct 17, 23 to June 30, 24) - 15 + 30 + 31 + 31 + 29 + 31 + 30 + 31 = 258 days. So, he is a resident. (2) Price received to transfer the right to obtain shares from ESS to third party (1000 × 15) less Acquisition price (1,000 × 10) × 90% i.e. Tk. 6,000 (3) allowances received for official tour and eye operation is non-assessable (4) Investment in shares of club is not investment allowance. (5) net wealth surcharge and environmental protection surcharge is applicable for owning multiple cars.

EMPLOYMENT INCOME OF NON-RESIDENT TAXPAYER

Mr. Danilo G. Morgia, a citizen of Philippines, joined in a consultancy firm in Bangladesh on January 01, 2024 with a basic salary Tk. 200,000 per month. He has also provided with a rent-free accommodation and a 3000 cc car for both office and private use. The company pays Tk. 75,000 per month as rent for the accommodation provided to him. He has invested Tk. 5 lac and 4 lac in listed company and ICB Mutual Fund's shares respectively. Compute his taxable income from employment and tax payable amount, considering the given particulars for the current income year.

Assessee: Danilo G. Morgia	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024	
Income from Employment (section 32)		Amount	Amount
Basic pay (200,000 × 6)		Tk. 12,00,000	
Rent-free accommodation [note 2]		450,000	
Conveyance facility [note 3]		150,000	
Total receipt from salary			Tk. 18,00,000
Less: Exempted – Lower of 1/3 rd of total salary income and Tk. 18,00,000 i.e. (Tk. 18,00,000 ÷ 3) = Tk. 6,00,000 and Tk. 450,000			Tk. 450,000
Income from Salary			Tk. 13,50,000

Tax Payable Amount = 30% of Tk. 13,50,000 = Tk. 405,000

Notes: (1) Staying in Bangladesh from January 01, 24 to June 30, 24 = 182 days, hence Mr. Danilo is a non-resident foreigner. His tax rate is 30% and he is not eligible to get any tax rebate. (2) Actual rental value Tk. (75,000 × 6 = 450,000). Thus, taxable income is annual value 450,000. (3) Monthly @ Tk. 25,000 (3) Gratuity upto Tk. 2.5 crore is exempted from tax. (4) Employer's contribution to unrecognized provident fund is excluded from total income.

KEY POINTS

- Salary means periodical payment made to an employee by an employer for the services rendered and includes wages, annuity, pension, or any perquisites etc.
- Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages which may be given in a variety of forms.
- Trave allowance is exempted from tax if it is paid for official purposes.
- Any amount received to support house rent is taxable. Besides, any rent-free accommodation is taxable taking the annual value of the house, as perquisite received by the employee.
- Conveyance allowance is taxable on the full amount and any conveyance facility is taxable @ Tk. 10,000 and Tk. 25,000 respectively for motorcar upto 2500 cc and exceeding 2500 cc.
- Full of pension and Tk. 2.5 crore gratuity is exempted for a resident assessee.
- Employer's contribution to recognized provident fund will be counted as income.
- Receipt of arrear salary will be added to the total income if has not been considered earlier in the computation of total income.
- Any person who is responsible for paying salary shall deduct income tax on the amount payable at the average rate which shall be adjusted against the tax liability of the assessee at the time of regular assessment.
- If the employee contributes to deferred annuity, government provident fund or recognized provident fund, approved superannuation fund, benevolent fund or group insurance scheme can get investment tax rebate on such contribution.

MULTIPLE CHOICE QUESTIONS

1. Perquisites includes followings except –
 - (a) leave encashment
 - (b) rent free accommodation
 - (c) concession rate accommodation
 - (d) basic salary
2. Which of the following provident fund is for government employees with pension benefit?
 - (a) Contributory provident fund
 - (b) General provident fund
 - (c) Recognized provident fund
 - (d) Unrecognized provident fund
3. Which of the following contribution by employee to PF is not eligible for tax rebate?
 - (a) Contributory provident fund
 - (b) General provident fund
 - (c) Recognized provident fund
 - (d) Unrecognized provident fund
4. For house rent allowance how much is exempted from tax?
 - (a) 50% of basic salary
 - (b) Tk. 25,000 per month
 - (c) 25% of basic salary
 - (d) None
5. How much of medical allowance is exempted from tax?
 - (a) Full
 - (b) Tk. 60,000
 - (c) Actual expense
 - (d) None

6. For a conveyance facility of 3000 cc car, ----- will be added to salary income for tax purpose per month.
 - (a) 5% of basic salary
 - (b) Tk. 10,000
 - (c) Tk. 25,000
 - (d) none
7. Which of the following statement is false?
 - (a) Employer's contribution to RPF will be added to calculate tax payable income
 - (b) Employee's contribution to RPF will be added to calculate tax payable income
 - (c) Employer's contribution to RPF will get investment tax rebate
 - (d) Employee's contribution to RPF will get investment tax rebate
8. How much of interest on RPF will add to calculate tax payable income?
 - (a) Interest @ 14.5%
 - (b) Interest exceeding 1/3 of basic salary
 - (c) Interest exceeding @ 14.5%
 - (d) none
9. What is the rate of interest on government provident fund?
 - (a) 13.0%
 - (b) 14.5%
 - (c) 15.5%
 - (d) 16.5%
10. Followings are the example of non-assessable income except –
 - (a) pension
 - (b) travel allowance given for official purpose
 - (c) festival bonus
 - (d) accumulated balance of RPF

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Employee contributes nothing in approved gratuity fund.
2. The amount received at retirement from unrecognized provident fund is taxable.
3. Gratuity is fully exempted.
4. Rate of interest applicable for contributory provident fund is 15%.
5. When employer has Tk. 11 crore net wealth, a surcharge @ 10% is applicable.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ5.1 "Perquisite is a causal emolument or benefit attached to an office or position in addition to salary or wages" – explain the statement according to ITA, 2023.
- DQ5.2 What is a provident fund? Explain distinguishing features of different types of provident fund.
- DQ5.3 Differentiate between government and non-government provident fund.
- DQ5.4 Explain the effect of different types of provident fund in assessment of income tax.
- DQ5.5 Differentiate approved superannuation fund from approved gratuity fund.
- DQ5.6 "Any person who is responsible for paying salary shall deduct income tax on the amount payable at the average rate" – explain the statement according to the ITA, 2023.
- DQ5.7 What is non-assessable income? Explain these incomes under the head income from salary.
- DQ5.8 Write short note on: ☐ Perquisites ☐ Recognized provident fund (RPF) ☐ Tax exempted income under the head income from salary ☐ TDS under the head income from salary

PROBLEM CASES (PC)

PC5.1: Mr. Zahid receives basic salary (BS) of Tk. 18,000 per month in the current income year. He also received conveyance of Tk. 2,000 per month; house rent

allowance @ 55% of BS; medical allowance @ 15% of BS, and a 1500 cc car. He and his employer both contributed 10% of his BS into a recognized provident fund (RPF). From RPF he received interest @ 16% Tk. 8,000. Answer the following questions.

- How much is Mr. Zahid's taxable income from house rent allowance?
☐ Tk. 216,000 ☐ Tk. 118,800 ☐ Tk. 10,800 ☐ Tk. 54,000
- How much is Mr. Zahid's tax payable income from conveyance allowance?
☐ Tk. 6,000 ☐ Tk. 24,000 ☐ Tk. 16,200 ☐ Nil
- How much is Mr. Zahid's tax payable income from medical allowance?
☐ Tk. 21,600 ☐ Tk. 10,800 ☐ Tk. 32,400 ☐ Nil
- How much is Mr. Zahid's tax payable income as contribution to RPF?
☐ Tk. 21,600 ☐ Tk. 10,800 ☐ Tk. 18,000 ☐ Tk. 72,000
- How much will be considered as conveyance facility?
☐ Tk. 120,000 ☐ Tk. 60,000 ☐ Tk. 300,000 ☐ None

PC5.2: Mr. Kabir's basic salary is Tk. 40,000 per month. He also received conveyance of Tk. 2,000 per month, a 2000 cc full time car, and accommodation facilities with annual rental value Tk. 240,000, but the company charges him Tk. 5,000 per month for the house.

- How much is Mr. Kabir's taxable income from concession rate accommodation?
☐ Tk. 180,000 ☐ Tk. 240,000 ☐ Tk. 60,000 ☐ Tk. 24,000
- How much is Mr. Kabir's total taxable income?
☐ Tk. 804,000 ☐ Tk. 624,000 ☐ Tk. 660,000 ☐ Tk. 780,000

PC5.3: Mr. Sumon receives salary following salary scale of 18,000 – 1,500 X 3 – 22,500 and he received Tk. 19,500 salary in December of current income year. Date of increment is 18th January of every year. Mr. Sumon's basic salary for the year is:

- ☐ Tk. 260,177 ☐ Tk. 242,177 ☐ Tk. 234,000 ☐ Tk. 224,177

PC5.4: Mr. Pritom is a service holder. His income sources for the year ended 30th June were: basic salary (BS) Tk. 27,500 per month; medical allowance Tk. 2,000 per month; conveyance allowance 5% of BS; performance bonus equal to 4 months BS; and leave encashment 10 days leave. He has been provided with a 1500 cc full time car and a rent-free furnished house with annual rental value of Tk. 150,000. He received two festival bonuses each equal to 50% of a month's BS. He contributed 10% of BS to a recognized provident fund (RPF) and his employer also contributed the same amount. Calculate Mr. Pritom's income under the head income from employment.

PC5.5: Mr. Limon is a service holder. Compute his income from employment considering his monthly basic salary (BS) Tk. 25,000; house rent allowance 70% of BS; medical allowance Tk. 1,250 per month; conveyance allowance 7.5% of BS; performance bonus equal to 5 months BS; and dearness allowance 10% of BS. He has provided with a 3000 cc full time car. He received two festival bonuses each equal to a month's BS. He and his employer contributed 10% of BS to a recognized provident fund (RPF). He received Tk. 15,000 interest @ 15% on the accumulated RPF.

PC5.6: Calculate taxable income and net tax liability for the current income year of Mr. Mahfuz, a private service holder. He received basic salary of Tk. 22,500 in the first month of the income year following the salary structure of 18,000 – 1,500 X 4 – 24,000. The date of annual increment is on 16th November. He also received medical allowance Tk. 1,500 per month; conveyance allowance Tk. 2,500 per month; entertainment allowance Tk. 500 per month; performance bonus Tk. 80,000; mobile bill allowance Tk. 2,000 per month; and overtime allowance Tk. 25,000. He has been provided free furnished accommodation for which the company paid rent of Tk. 5,500 per month. He received two festival bonuses (one in October and another in December) each equal to one month's basic salary. He contributed 10% of basic salary to a recognized provident fund (RPF) like his employer.

During the year he incurred and made expenses and investments for life insurance premium: own (policy value Tk. 500,000) Tk. 60,000 and spouse (policy value Tk. 300,000) Tk. 25,000; family expenses Tk. 85,000; contribution to approved superannuation fund Tk. 48,000; purchase of shares from initial public offerings Tk. 40,000, of unlisted company Tk. 30,000, of listed company Tk. 22,000. He donated to prime minister's relief fund Tk. 15,000; religious institution Tk. 10,000; zakat fund Tk. 30,000; Dhanmondi Sports Club Tk. 8,000; deposited to pension scheme per month Tk. 6,000; purchase of books Tk. 12,000; purchase of land Tk. 80,000 and purchase of motor vehicles Tk. 250,000.

PC5.7: Calculate net tax liability for Mr. Mozumder who is an executive of a private telecommunication firm. He received basic salary of Tk. 35,000 per month with house rent allowance 50% of basic salary; medical allowance Tk. 3,500 per month; conveyance allowance Tk. 2,500 per month; traveling allowance Tk. 60,000; performance bonus Tk. 80,000 and overtime allowance Tk. 25,000. He has been provided with a 1700 cc full-time car that he can use both for office and personal purposes. In this income year he saved Tk. 13,000 from medical allowance. He received two festival bonuses (one in the month of December another in February) each equal to one and half month's basic salary. He contributed 10% of basic salary to a recognized provident fund (RPF) and his employer also contributed the same amount. He received interest @ 16% Tk. 67,200 on the accumulated balance of the RPF.

He also contributed 5% of basic salary to a group insurance premium. Because of a salary restructure Mr. Mozumder received Tk. 40,000 as basic salary from the month of February. During the year he incurred and made the expenses and investments for life insurance premium (Policy value Tk. 300,000) Tk. 15,000; purchase of land Tk. 295,000; purchase of shares from primary market Tk. 5,000; purchase of shares of an unlisted company Tk. 30,000; purchase of savings certificate Tk. 15,000; donated to religious institution Tk. 10,000; zakat fund Tk. 6,000; Sobujbag Sporting Club Tk. 8,000; and purchase of motor vehicles Tk. 250,000

PC5.8: Ms. Rabeya is a service holder. Given particulars are her incomes from salary for the year ended on 30th June. Compute her taxable income from salary and investment allowance. She received basic salary (BS) Tk. 40,000 per month; dearness allowance 10% of BS; two festival bonuses and one performance bonus each equal to one month's BS. She has been provided with a rent-free quarter (the annual rental value of which is Tk. 60,000); a 1500 cc car for official purposes; Tk. 200,000 for Open Heart Surgery, and she received Tk. 6,000 as traveling allowance and Tk. 60,000 from Worker's Participation Fund. She contributed to a statutory provident fund @ 10% of BS from where she received interest Tk. 2,500 @ 13% on the accumulated balance. She is given servant allowance of Tk. 200 per month; She contributes 1% of her BS to a group insurance scheme. She made @Tk. 5000 monthly deposits on the BD Universal Pension Scheme.

PC5.9: Mr. Nahid is a service holder. Following are the particulars of his income from salary for the year ended on 30th June. Compute his taxable income from salary for the current income year. Mr. Nahid received basic salary (BS) Tk. 35,000 per month; dearness allowance 10% of BS; Two festival bonuses, each equal to one month's BS. He has been provided with a house at a concessional rate for which Tk. 1,000 per month is deducted from his salary. The annual value of the house is Tk. 70,000. He has been provided with a car for both office and private use. In addition, he is also provided with Tk. 2,000 per month as conveyance allowance. He has also been provided with telephone facilities at his residence. The bill for this telephone reimbursed amounted to Tk. 12,000. During the year he received advance salary of Tk. 16,000. He contributed to a unrecognized provident fund @ 10% of BS. The employer also contributes the same amount. He received compensation from previous employer Tk. 30,000; Leave encashment Tk. 20,000; Gratuity Tk. 50,000; and Overtime Tk. 5,000.

PC5.10: On the last month of the income year, Mr. Areean's basic salary (BS) falls on Tk. 10,200 in the scale of 9,600-200×12-12,000. Date of his annual salary increment is on 26th April. Considering given information, compute tax liability of Mr. Areean for the year. He received dearness allowance @ 10% of BS and medical allowance Tk. 3000 per month. He received two bonuses equivalent to one month's BS (one before increment and one after increment). He and his employer contribute 10% of his BS to a recognized provident fund (RPF). He has been provided with a rent-free quarter (Annual value Tk. 160,000) and a 1700 cc car for both official and personal purposes. He is provided with cash conveyance allowance of Tk. 2,000 per month. During the year he has also received an entertainment allowance of Tk. 5,000 of which Tk. 4,500 has actually been spent. His investments during the year were in purchase of shares of an unlisted company Tk. 2,000; purchase of land Tk. 10,000; payment of his life insurance premium Tk. 4,000 (Policy value Tk. 45,000); purchase of books and magazine Tk. 3,000; and contribution to a Deposit Pension Scheme Tk. 500 on a monthly basis.

PC5.11: Ms. Farhana is the head of Business Administration department of a reputed private university in Bangladesh. She has received the given benefits from the university based on which you are required to calculate her tax liability for the year.

She received basic pay (BS) Tk. 100,000 per month sent directly to her bank account. She has been provided with accommodation fully furnished by the university; the annual rental value of the house is Tk. 250,000; 10% of her BS is deducted for this purpose. She also received a 2000 cc full time car for her own and family uses. University pays Tk. 20,000 per month for her two school going children which is paid to the school authority directly. She received two festival bonuses and one performance bonus each equivalent to monthly BS which she spent partly for family and partly for the needy relative in her village. The university pays the driver's salary during the year being the reimbursement of various utility bills of her house. On her behalf, the university paid office phone and mobile bill Tk. 20,000 during the year. She was paid Tk. 200,000 for her overseas travels for the official conference. Bill allowance Tk. 10,000 per month; entertainment allowance Tk. 10,000 per month (actual expense Tk. 150,000). She and her employer contribute 10% of her BS to an unrecognized provident fund and from where she received interest @ 18% Tk. 1,800 for the period. She has contributed 2% of her BS to a group insurance scheme.

For the year, she has claimed investment allowance for purchase of debentures from the secondary market Tk. 25,000; insurance premium Tk. 20,000 (policy value Tk. 250,000); household expenses Tk. 200,000; payment to her teaching assistant Tk. 25,000; purchase of government treasury bond Tk. 100,000; donated Tk. 50,000 to the Muktijuddho Jadughar, Tk. 25,000 to Government Zakat Fund; Tk. 10,000 to her children's school; and paid loan installment to Prime bank Tk. 40,000 (including Tk. 2,000 interest).

PC5.12: On the last month of the current income year, Ms. Tania Amir's basic salary (BS) falls on Tk. 56,000 in the scale of 40,000-4,000×8-72,000. Her date of yearly increment is on 21st March. She received dearness allowance @ 20% of BS and medical allowance Tk. 3000 per month. She received two festival bonuses and one performance bonus each equivalent to one month's BS in the month of September, December, and May respectively.

She contributes 10% of her BS to a recognized provident fund (RPF) from which she also received interest @ 15% Tk. 1,500. Her employer also contributes the same amount to the RPF. She has been provided with 60% of her BS as house rent allowance and a 2000 cc full-time car. Company gave her international air ticket for a tour as a reward for her performance in addition to her service contract for which the company spent Tk. 50,000. During the year, she has also received an entertainment allowance of Tk. 10,000 of which Tk. 7,500 has actually been spent.

Her taxable income from other sources was Tk. 400,000 during the year. You are required to compute tax liability of Ms. Tania Amir, assuming that her net wealth at the yearend amounted to Tk. 5 crore and her investments were in

- ☐ PLC's shares purchased from the secondary market Tk. 10,000;
- ☐ purchase of shares of a registered partnership firm Tk. 8,000;
- ☐ payment of life insurance premium Tk. 12,000 (policy value Tk. 100,000);
- ☐ purchase of books and magazine Tk. 3,000;
- ☐ contribution to a benevolent fund Tk. 500 on a monthly basis;
- ☐ donation to a mosque Tk. 15,000; and to Anjuman Mufidul Islam Tk. 6,000.

PC5.13: Mr. Simon is a government service holder. His sources of income for the year ended 30th June were: monthly basic salary (BS) Tk. 55,000; medical allowance Tk. 1,500 per month; festival allowance Tk. 110,000; Bangla New Year Allowance Tk. 20,000. He lives in the government quarter, and he has been provided with a full-time car. He contributed Tk. 14,000 per month to the statutory provident fund (SPF). He earned interest of Tk. 65,000 on the accumulated balance of SPF. His monthly contributions to benevolent fund and group insurance scheme were Tk. 500 and Tk. 1,000 respectively. He also contributed Tk. 6,000 per month to a DPS. Calculate Mr. Simon's income under the head income from salary.

PC5.14: On April 30 of the current income year, Mr. Hasan retired as an accountant from a private firm. Before retirement, he received the following incomes for the year. On, April of the current income year, his basic salary (BS) falls on Tk. 20,000 in the scale of 16,000 – 2,000 × 3 – 22,000. His date of yearly increment is on 18th March. Besides, he received dearness allowance @ 10% of BS, Tk. 100,000 for Eye operation related medical expense reimbursement, 60% of his BS as house rent allowance, conveyance allowance Tk. 2,000 per month, two festival bonuses each equivalent to one month's BS - received respectively in October and April of the income year. He contributed 10% of his BS to an unrecognized provident fund. After his retirement in May, he has received the accumulated balance of his unrecognized provident fund (URPF) total Tk. 256,000 (employer's contribution Tk. 100,000, employee's contribution Tk. 100,000 and accumulated interest Tk. 56,000). He has also received Tk. 300,000 as gratuity and Tk. 40,000 from Worker's Participation Fund. The company has given him complimentary travel allowance of Tk. 40,000 as a reward for his good performance. His actual expense is Tk. 13,000 in this regard.

He received 2000 shares (face value Tk. 10 per share, Market value Tk. 20 per share) under the Employee Share Scheme from the company at a 80% discounted price on May 30. In additional, he has income from house property Tk. 300,000; income from agriculture Tk. 50,000 and income from other sources Tk. 200,000.

His investments during the income year were: contribution to DPS Tk. 6,000 per month; purchase of laptop Tk. 60,000; purchase of Bangladesh savings certificate Tk.

Chapter – 5 Income from Employment

- 100,000; purchase of gift cheque Tk. 3,000; purchase of microwave oven Tk. 10,000; and donation –
- ☐ to Islamia Eye Hospital Tk. 5,000,
- ☐ to poor relatives as zakat Tk. 10,000,
- ☐ to Jatio Muktijuddho Jadughor Tk. 5,000,
- ☐ to Rahbar Development Network Tk. 10,000 and

TDS deducted from his salary amounted to Tk. 10,000 and he has also paid advance income tax of Tk. 25,000 at the time of renewing the registration of his personal car. Compute taxable income and tax liability of Mr. Hasan for the current income year assuming that he is a disable/handicapped person.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10	TRUE/FALSE
d	b	d	d	d	c	b	c	a	c	
1	2	3	4	5						
T	T	F	F	F						

SELF – REVIEW 5.1

From 01/07/2023 to 31/03/2024 for nine months @ Tk. 6,800

From 01/04/2024 to 30/06/2024 for three months @ [(6,800+200) × 3]

Tk. 61,200
21,000

Tk. 82,200

SELF – REVIEW 5.2

- (a) Rent free accommodation (Annual Rental Value): Tk. 120,000
- (b) Conveyance facilities @ Tk. 10,000 per month: Tk. 120,000
- (c) Income from salary:

Basic salary

Rent free accommodation

Conveyance facilities

Leave encashment [(50,000/30) × 11]

Tk. 600,000
120,000
120,000
18,333

Total Tk. 858,333

SELF – REVIEW 5.3

General Provident Fund

- Government manages this fund within Bangladesh in taka.
- Government as an employer contributes nothing.
- Interest is 13% on this fund
- Interest on this fund will not be added with salary

Recognized Provident Fund

- Fund is managed by two or more trustee under any trust or government trust.
- Employer will contribute but not more than the employee contribution.
- It depends on where the fund is invested
- Interest on this fund will be added with salary exceeding 1/3 of basic salary.

6

Income from Rent

"Few of us ever test our powers of deduction, except when filling out an income tax form."
— Laurence J. Peter

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

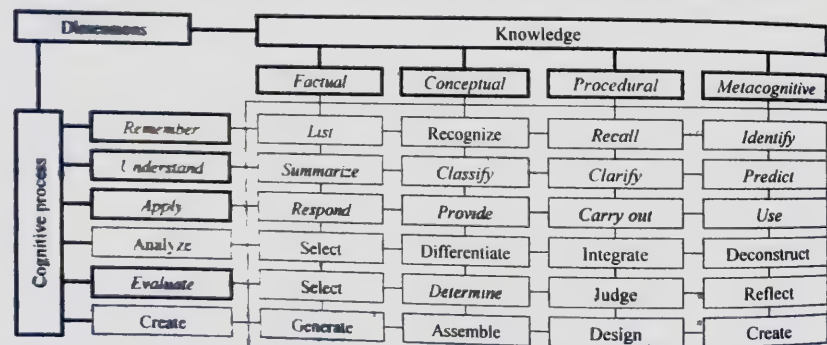
- CLO 6.1 understand the concept of income from rent
- CLO 6.2 identify scope of income from rent
- CLO 6.3 apply taxability on income from rent
- CLO 6.4 determine annual value of house property
- CLO 6.5 apply TDS on rental income
- CLO 6.6 list admissible expenses against income from rent
- CLO 6.7 recall rebate on allowable investments
- CLO 6.8 compute tax liability on income from rent

KEY TERMS

Tenant, Actual rental value, Reasonable value, Annual value, Advance rent, Tax deducted at source, Rental status, Vacancy allowance, Admissible expenses, Uncollectible rent, Dependent

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and different components of four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



6.1

CLO
6.1
6.2

INTRODUCTION

"Income from Rent" is the second head of income among the seven heads mentioned in section 30 of the Income Tax Act (ITA), 2023. According to section 36, annual value of property, of which the assessee is the owner, is chargeable to tax under this head of income after claiming deduction under section 38. The said property will not include the portions of property that the assessee may occupy for purposes of any business or profession carried on by him, the profits of which are chargeable to tax. Section 35 of the ITA, 2023 defined the following three terms:

- **House Property:** includes any house property, buildings or apartment along with the following assets-
 - Furniture, fixture, fittings that are integral part of the house; and
 - Land on which the house is situated.

but will not include the following buildings or structures, namely:-

- Any building used wholly as a warehouse, or
- Any factory premise for which rent is paid as an integral part of the rent of plant and machinery;

- **Rent:** means - providing rights, without sacrificing the ownership, to use any property, but does not include letting out the property, whether owned or not, to anyone by any scheduled bank, investment bank, any development finance company or mudaraba or leasing company.

- **Property:** means - house property, land, furniture, fixture, factory building, business premises, machinery, personal vehicle, and capital nature of any physical property that can be let out.

6.2

CLO
6.2
6.3

SCOPE OF INCOME FROM RENT

According to Section 36 of the ITA, 2023, the following incomes are to be considered under the head "Income from Rent":

- For a person, income from rent means the excess of total rental value of any property over the allowable expenses.
- Such portions of property as the assessee-owner occupy for his business, the profits of which are chargeable to business income, is not assessable under this head.
- Irrespective of the nature of rent of any property other than hostel, hotel, motel or resort, regardless of the nature of trade, commerce, or business, the income earned from the said property should be recorded under this head "income from rent".

6.3

CLO
6.2

PRECONDITIONS OF INCOME FROM RENT

Sections 35-36 suggest following conditions are to be fulfilled to consider any income under the head "Income from Rent":

- Assessee is the legal owner of the whole house property or the owner of a part of the property or beneficiary of the property.

- ☐ Income should be generated from let out part and not from any part used by the owner for personal purpose or for the purpose of his business.
- ☐ The house may be let out for residential or commercial or for any other purposes.
- ☐ Income is the result of gross rental received less amount of admissible expenses.

6.4

CLO
6.1
6.2

A DIAGNOSTIC VIEW OF THE TERM 'OWNERSHIP'

The charge under this head is on the bona fide annual value of the property of which the assessee is the owner or deemed owner. If the assessee is not owner of the house property, he is not assessable under this head. The term "owner" is one of wide application in various connections and must be interpreted in its broadest possible meaning. The ITA, 2023 does not pin down the assessing authorities to tax only the registered owner.

The charge of tax under the head "Income from Rent" is on the owner, be it a legal owner or deemed owner or beneficial owner [P. J. Swaminathan vs. CIT (1984) 145 ITR 198 (Mad.)]. The test of ownership is required to be satisfied in the income year and not in the assessment year. For the purpose of tax, the owner must be that person who can exercise the rights of the owner, not on behalf of the owner but in his own right [R.B. Jodhamal Kuthiala vs. CIT (1971) 82 ITR 570 (SC.)]. In this regard, the following legal opinions may also be used as reference or guideline:

- ☐ **Legatee is the owner of property of deceased, not the executor:** Where a will gives life interest in house property to specific legatee, such legatee will be the owner of the property. Income of property will be assessable in the hands of legatee and not of executor [Estate of Ambalal Sarabhai vs. CIT (2000) 245 ITR 445 (Guj.)].
- ☐ **Ownership in case of insolvency:** Here, ownership may vest with the official custodian/receiver and the evacuee is not the owner. The custodian will be assessed [R.B. Jodhamal Kuthiala vs. CIT (1971) 82 ITR 570 (SC.)].
- ☐ **Property owned by Firm:** Where the house property is owned by a partnership firm, the partners cannot be assessed as co-owners. The firm is assessable as owner [Sarvamangala Properties Ltd. vs. CIT (1973) 90 ITR 267 (cal.)].

EXHIBIT

6.1

Testing Preconditions of Income from Rent

Case 1: X owns a building. It is let out on rent. Income of rent from the property is taxable under the head "Income from rent", as the above noted conditions are satisfied.

Case 2: Y owns a building. It is used by him for carrying on a business or he uses the building as his office/factory/godown. In this case, no income is taxable under the head "Income from rent".

Case 3: X owns a house property. He lets it out to Y for 3 years (rent being Tk. 10,000 per month). Y sublets it to Z on monthly rent of Tk. 40,000. Rental income of X is taxable under the head "Income from rent". Since Y is not the owner of the house, his income is not taxable under the head "Income from rent", but is taxable under the head "Income from other sources".

Chapter - 6 Income from Rent

- ☐ **Agreement to Purchase does not confer ownership unless Assessee can be proved as owner for all intent and purposes.** An agreement to buy may confer a claim on purchaser the owner until the sale deed is registered in his favor [Ramkumar Mills P. Ltd. Vs. CIT (1989) 180 ITR 464 (Kar.)]. The vendor continues to be the owner of the property and is liable to be assessed under the head "Income from House Property" [CIT vs. Sultan Brothers Pvt. Ltd. (1983) 142 ITR 249 (Bom.)].
- ☐ **Benami Properties - Beneficial Owner to be Assessed:** Where the property is purchased by X in the name of his son, Y, the assessment of income from such property on X is valid as he is found to be the real purchaser of these property. Burden of proof to show that the assessee is that real owner in cases like this is heavily on the Income Tax Authority [M/s ER Chowdhury vs. CIT 37 DLR 210; CIT vs. Aji Kumar roy (2001) 252 ITR 468 (Cal.)].
- ☐ **Disputed Ownership - Assessment cannot be held up:** The assessment proceeding cannot be held up on account of dispute relating to title of the property either in or outside the Court [Keshardeo Chamria vs. CIT (1937) 5 ITR 246 (cal.)]. The decision as to who is the owner rests with the Assessing officer. The person who is in receipt of income is assessed to tax. If, however, the decision of the Court goes against the interim decision of the tax authorities, the back years assessments are to be rectified according to the verdict of the Court.
- ☐ **Trustees are the owner in case of property held under a Trust:** Trustees are assessed for legally vested property [Vakil vs. CIT ITR 298, 302].
- ☐ **Where the property is mortgaged:** The mortgager will pay tax on income from house property; hence the ownership has not transferred.
- ☐ **Where the property is leased:** Generally, in case of long-term lease agreement, the lessee is liable to pay tax. But in case of short-term lease agreement, the lessor will be assessed, and the income will be recorded under "Income from Other Sources".

6.5

CLO
6.3
6.4

COMPUTATION OF TOTAL RENTAL VALUE

Total Rental Value of a House Property owned by a Person

In a particular income year, total rental value of any house property owned by a person shall be computed using the following formula:

$$A = (B + C + D + E) - F$$

Here,

- A : Total Rental Value
- B : Higher of actual rental value and the annual value of the property
- C : So much of the adjustable rent received as advance against the rent of the house property which has been adjusted during that income year, provided that it shall not be include any unadjustable advance or security deposit;
- D : Any amount or value of any benefit from the property other than the salami or premium in addition to B & C, received in whatever name
- E : Service charge, repair & maintenance charge or any other amount paid by the tenant;
- F : Vacancy allowances, only allowed by producing electricity bills as proof of vacancy.

Total Rental Value of a Property other than House Property

In a particular income year, total rental value of any property other than house property shall be computed using the following formula:

$$A = (B + C + D)$$

Here,

- A : Total Rental Value
 B : Higher of actual rental value and the annual value of the property
 C : So much of the adjustable rent received as advance against the rent of the house property which has been adjusted during that income year, provided that it shall not include any unadjustable advance or security deposit.
 D : Income for using the property otherwise, or additional amount/benefits from the property.

Note: Here, property other than house property means the property that can be let out namely, land, furniture, fixtures, fittings, factory buildings, lawn, machinery, personal vehicles and any other capital nature of asset. It also includes:

- ☐ Any building that is fully used as a store, or
- ☐ Any factory building that is let out as an integral part of letting out plant and machinery.

Annual Value

According to Section 2(62) of the ITA, 2023 'annual value' shall be deemed to be in relation to any property let out:

- ☐ the sum for which property might reasonably be expected to let from year to year (generally, the municipal value) or
- ☐ where the annual rent in respect thereof is in excess of the sum referred to in above paragraph, the amount of the annual rent.

6.6

CLD
6.2
6.4

RENTAL STATUS OF THE PROPERTY

Actual assessment of income from this head is based on rental status of the property. The property can be fully let out, partly let out, or can be fully occupied by the owner. Brief explanation of these three statuses is presented below.

Fully Let Out House Property

Annual value in such a case refers to all reasonable income (municipal value) generated from the whole house property or the actual annual rental income from the same property if reasonable income is less than actual rental income [section 2(62)]. The whole income from such property is taxable income.



Mr. Akmal is the owner of a house which he let out at a monthly rent of Tk. 10,000. Calculate total rental value when reasonable income/municipal value of the house is -
 (a) Tk. 135,000
 (b) Tk. 110,000.

EXHIBIT

Computing Annual Value (AV) & Total Rental Value (TRV)

6.2

Case 1: Mr. Zia is the owner of a house which he let out at a monthly rent of Tk. 9,500. Reasonable value/municipal value of the house is Tk. 120,000. Here, Annual value (AV) and total rental value (TRV) of the house is:

Actual Rental Value (9,500 × 12)
 Reasonable Value

Tk. 114,000	Higher one	AV
Tk. 120,000		Tk. 120,000

Total Rental Value (A):

- B: Higher of actual rental value and the annual value of the property
 C: Amount of adjustable advance adjusted during the income year
 D: Additional amount or benefits received other than salami or premium
 E: Service charge, repair & maintenance charge or any other amount paid by the tenant
 F: Vacancy allowance, by producing electricity bills as proof of vacancy
 Total Rental Value (A) = (B + C + D + E) - F

Tk. 120,000

Case 2: Mr. Zia is the owner of a house which he let out at a monthly rent of Tk. 9,500. Municipal value/corporation taxes relating to the house property, which amounted to Tk. 8,000 for the year. He received an additional Tk. 10,000 by letting out the roof top community hall of the building. He claimed one month's vacancy of the house by producing electricity bills as proof of vacancy. Here AV and TRV of the house is:

Actual Rental Value (9,500 × 12)
 Reasonable Value

Tk. 114,000	Higher one	AV
Tk. 120,000		Tk. 120,000

Total Rental Value (A):

- B: Higher of actual rental value and the annual value of the property
 C: Amount of adjustable advance adjusted during the income year
 D: Additional amount or benefits received other than salami or premium
 E: Service charge, repair & maintenance charge or any other amount paid by the tenant
 F: Vacancy allowance, by producing electricity bills as proof of vacancy (B/12) × 1
 Total Rental Value (A) = (B + C + D + E) - F

Tk. 120,000

10,000

8,000

(10,000)

Tk. 128,000

Case 3: Mr. Zia is the owner of a storehouse in Munshiganj, which he let out at a monthly rent of Tk. 9,500. Municipal value/ Reasonable Rental Value of the house is Tk. 120,000. He received an additional Tk. 10,000 from total rental value of the house is:

Actual Rental Value (9,500 × 12)
 Reasonable Value

Tk. 114,000	Higher one	AV
Tk. 120,000		Tk. 120,000

Total Rental Value (A):

- B: Higher of actual rental value and the annual value of the property
 C: Amount of adjustable advance adjusted during the income year
 D: Additional amount or benefits received from the property
 Total Rental Value (A) = (B + C + D)

Tk. 120,000

10,000

Tk. 130,000

Partly Let Out House Property

When a part of the house is used by the owner for his own purpose and the other part is let out then only income from the let-out part is needed to be assessed. Annual value in such a case refers to all reasonable income (municipal value) generated from the let-out part of the house property or the actual annual rental income from the let-out part of the same property

if reasonable income is less than actual rental income. Here, all admissible expenses against this income should also be considered proportionately for the let-out part.

Fully Occupied House Property by the Owner

Annual value in such a case is not needed not to be computed and considered as non-assessable income according to the Income Tax Act, 2023.

6.7

CUO
6.6

ADMISSIBLE EXPENSES

Allowable Deductions from Rent of House Property Owned by a Person

As per section 38(1), the following expenses are allowed to be deducted from the total rental value of the house property to calculate income from rent.

- **Insurance premium:** The amount of any premium paid to insure the property against risk of damage or destruction [Section 38(a)].
- **Interest on borrowed capital:** Where the property has been acquired, constructed, renovated or reconstructed with borrowed capital from bank or finance company, the amount of any interest or profit payable on such capital [Section 38(b)].
- **Annual tax:** Where the property is subject to an annual charge (includes any property tax, fee or other annual charge), not being a capital charge [Section 38(c)].
- **Interest on borrowing during construction:** Any interest or profit paid during the pre-rental period to any bank or finance company on any capital loan used for the acquisition, construction, repair, reconstruction or new construction of the house property shall be charged in total 3 (three) equal installments in the consecutive years from the relevant income year associated with commencement of the rent. Provided that no adjustment of such interest will be applicable after this time (i.e. after first three years) [Section 38(d)].
- ✓ **Repair and maintenance:** The sums mentioned in the table below for collection of rent, water and sewerage, electricity, gas, service charges, repair and maintenance charges and any other basic service charges, namely - as per section 38(e):

Admissible expense (% of total rental value)		
If the property is used for	commercial purpose	30%
	non-commercial purpose (e.g. residential purpose)	25%

- **Proportional expenses for partly let-out house property:** Where the property is let out in parts, proportionate value of the admissible expense relevant to the let-out part shall be considered as admissible [Section 38(f)].
- **Proportional expenses for house property let out for a part of the income year:** Where the property is let out for a time portion of the income year, proportionate value of the admissible expense relevant to the time portion shall be considered as admissible [Section 38(g)].

Allowable Deductions from Rent of Any Property other than House Property

As per section 38(2), In computing income from rent of any property other than house property, deductions shall be allowed subject to the following limits and conditions:

- The deductions allowed under sections 49-55 (details are given in chapter eight) in computing income from business subject to such limits and conditions;
- All deductions other than the allowances allowed under the Third Schedule are made by bank transfer.

Computation of Income from Special Rent and Limitations/Restrictions regarding admissible expenses [Section 39]

- Any portion of any statutory deduction claimed as unexpended under clause 38(1)(e) i.e. unspent portion of the allowable repair and maintenance expenses shall be deemed to be income from special rent.
- Except in areas of accounting adjustments, deductions not permitted under above mentioned Section 38(2) shall be treated as income from special rent;
- No deduction, adjustment of loss or set-off and no allowance under the Third Schedule shall be allowed against the income computed as income from special rent and such income shall be taxed at the regular rate of tax.

EXHIBIT

6.3

Calculation of Annual Value and Income from Special rent

Case 1: Mr. D is the owner of a house which he let out at a monthly rent of Tk. 8,500 for residential purposes. Annual reasonable rental value of the house is Tk. 96,000. He spent Tk. 30,000 as repair and maintenance. Calculate (a) total rental value (b) Income from Special Rent, if any.

Here, annual value of the house is:

Actual Rental Value (8,500 × 12)
Reasonable Rental Value

Tk. 102,000	Higher one	Annual Value Tk. 102,000
Tk. 96,000		

(a) So, the total rental value is Tk. 102,000.

(b) Allowable repair and maintenance will be 25% of total rental value i.e. (Tk. 102,000 × 25%) = Tk. 25,500. Since the actual repair and maintenance expense amount is Tk. 30,000, there is no unspent repair and maintenance expense amount, hence there will be no income from special rent.

Case 2: Mr. E is the owner of a house which he let out at a monthly rent of Tk. 8,500 for commercial purposes. Annual reasonable rental value of the house is Tk. 110,000. He spent Tk. 25,000 on repair and maintenance. Calculate (a) total rental value (b) Income from Special Rent, if any.

Here, annual value of the house is:

Actual Rental Value (8,500 × 12)
Reasonable Rental Value

Tk. 102,000	Higher one	Annual Value Tk. 110,000
Tk. 110,000		

(a) So, the total rental value is Tk. 110,000.

(b) Allowable repair and maintenance will be 30% of total rental value i.e. (Tk. 110,000 × 30%) = Tk. 33,000. Since the actual repair and maintenance expense amount is Tk. 25,000, the unspent amount of repair and maintenance expense is (Tk. 33,000 - Tk. 25,000) = Tk. 8,000, hence it will be shown as income from special rent.

SELF - REVIEW
6.2

Mr. Akmal is the owner of a house which he let out for residential purposes. The total annual value of the house is Tk. 100,000. What will be the income from special rent if:
a. actual amount paid for repair and maintenance is Tk. 30,000
b. actual amount paid for repair and maintenance is Tk. 20,000.

6.8

6.8
6.8
6.8

TAX DEDUCTION AT SOURCE FROM RENTAL INCOME

According to section 109 of the ITA, 2023

- where, any specified person [as listed in Section 140(3)] is a tenant in respect of a house property; hotel or guest house; vacant land or plant or machinery; or any water reservoir except government water reservoir, the tenant shall deduct tax from the rent of such property at the rate of 5% at the time of payment of such rent.
- where, after the assessment, it is found that no tax was payable by the owner of the house property or the tax deducted is in excess of the amount payable, the amount deducted shall be refunded in full if no tax was payable. If the amount deducted is in excess of the amount payable, refund shall be to the extent of the excess deduction to the owner of the house property.
- Where the DCT, against an application, gives a certificate in the prescribed form to an owner of house property that, to the best of his belief, the owner is not likely to have any assessable income during the year or the income is otherwise exempted from payment of income tax under any provision of this Act, payment referred herein shall be made without any deduction until the certificate is cancelled.
- For this section 'rent' means any payment, paid in whatsoever name, made to use any building including its furniture, fixtures and lands appurtenant thereto, through lease, tenancy, contract or agreement to use such property.
- According to Section 140(3) - "specified person" means - any
 - company, firm, association of persons, trust, or fund
 - public-private partnership,
 - foreign contractor, foreign enterprise, or any association or authority established in outside Bangladesh,
 - hospital, clinic, or diagnostic center,
 - e-commerce Platform with annual turnover exceeding Tk. 1 crore, which doesn't mean any other person, in whatsoever name it is known,
 - hotels, resorts, motels, restaurants, convention centers, community center, transport agency with annual turnover exceeding Tk. 1 crore,
 - person, not being a farmer, involved in the production/supply of tobacco leaves, cigarette, bidi, chewing tobacco, gul, and any tobacco type goods.

SELF - REVIEW
6.3

Mr. Akmal is the owner of a house; municipal value of which is Tk. 135,000. He can let the house out at a monthly rent of Tk. 10,000. Calculate the annual value when - (a) the house was fully let out (b) half of the house was let out and (c) the house was fully occupied by the owner.

6.4

Repair and Maintenance as an Allowable Expense

Case 1: Mr. Adib is the owner of two houses: one at Dhaka and another at Khulna. He has let out both the houses at an annual rental amount of Tk. 580,000 and Tk. 600,000 respectively. Municipal values of these houses are Tk. 600,000 and Tk. 575,000 respectively. House at Dhaka was let out for residential purposes whereas house at Khulna for commercial purpose. Here, admissible repair and maintenance expense is:

Actual Rental Value (ARV)	Dhaka	Khulna
Municipal Value	Tk. 580,000	Tk. 600,000
Annual Value (higher one)	600,000	575,000
Admissible expenses: Repair & maintenance (6,00,000 × 25%; 6,00,000 × 30%)	600,000	600,000
	Tk. 150,000	Tk. 180,000

Case 2: Mr. Adib is the owner of a house in Dhaka. He has let out the full house @ Tk. 100,000 per month for commercial purpose and the municipal value (MV) of the house is Tk. 1,300,000. What will be the amount of admissible repair and maintenance expense under following independent cases?

- (a) Actual amount spent as repair and maintenance Tk. 400,000
- (b) Actual amount spent as repair and maintenance Tk. 350,000

Here, annual value is Tk. 1,300,000 [higher of ARV (Tk. 1,200,000) and MV (Tk. 1,300,000)]. Since the house has been let out for commercial purpose, allowable repair and maintenance expense as per section 38(1)(e) is 30% of total rental value i.e. Tk. 390,000. Actual amount of repair and maintenance expense is irrelevant here. Any unspent amount of repair will be separately considered as income from special rent i.e. in case of (b) income from special rent is Tk. 40,000

Computation of TDS from House Property

As per Sec. 109 of the ITA, 2023, every specified person [as stated in Sec. 140(3)] who is responsible for making any payment to the owner of a property (house property; hotel or guest house; vacant land/plant/machinery; or any water reservoir except government water reservoir) shall deduct an amount calculated on such payment @ 5%. Here rent received is the amount after TDS. The amount of TDS can be computed as:

$$\text{TDS} = \text{Rent Received} \times [\text{TDS Rate} \div (100 - \text{Rate of Tax Deducted at Source})]$$

EXHIBIT

6.5

TDS on Income from Rent

Case 1: Mr. Zia is the owner of a house which he let out at a gross monthly rent of Tk. 25,000 to a company. The company deducts tax at source at prescribed rate (5%) before paying the rent to him and the municipal value of the house is Tk. 290,000. Here annual value of the house will be calculated as:

Rent received (23,750 × 12)	Tk. 285,000	
Add. TDS [285,000 × (5 ÷ (100 - 5))]	15,000	
Actual Rental Value (ARV)	Tk. 300,000	
Municipal Value (MV)	Tk. 290,000	
		Annual value Higher of ARV and MV → Tk. 300,000

6.9

CLO
6.3**MAINTAINING BANK ACCOUNT BY PROPERTY OWNER RECEIVING MONTHLY RENT MORE THAN TK. 25,000**

Where any person having ownership or possession of any property, whether used for commercial or residential purposes, receives any sum or aggregate of sums exceeding Tk. 25,000 (twenty five thousand) per month in respect of any rent of such house property or its unit, such person shall maintain a bank account in any scheduled bank for the purpose of depositing rent of the house property or its unit and deposit such rent or any advance received or receivable from such house property or its unit in such bank account. Where the person having ownership or possession mentioned above has one or more tenants and receives the sum or aggregate of sums exceeding taka 25,000 (twenty-five thousand) per month, he may maintain a separate register and record regarding particulars of the tenant or tenants and the sum or sums received. Nothing contained in this rule shall prevent such person from recording any other particular in the register as specified above.

Penalty for Non-compliance of this provision

According to Section 267(2), The DCT may impose a penalty for non-compliance by the house owner (individual, firm, company or any other organization) of "Higher of the house owner (individual, firm, company or any other organization) of 'Higher of 50% of income tax payable amount from rental income or Tk. 5,000'". Before imposition of penalty, the assessee must be sent a notice under section 130 for hearing. If any assessee (individual, firm, company etc.) has income from business and profession, he has to pay the rent of the house/office/ shop that is used for his business/profession through bank. Otherwise, such rent payment will not be considered as admissible expenses rather will be considered as income and income tax will be applicable on such income. This provision has been taken into effect from July 01, 2014. [IT RULE 8A, Income tax Circular No. 2 (IT)/2014 dated July 22, 2014 & SRO 216/AIN/IT/2014 dated 18/08/2014].

Duties/Responsibilities to be Performed by the House Owners/Tenants

- ☐ If the aggregate monthly house rent amount from one or more tenants exceeds Tk. 25,000, the assessee, being the owner or beneficiary of the house, shall maintain a bank account in any scheduled bank for the purpose of depositing such rent;
- ☐ Such bank account may also be used to deposit other incomes of the assessee in addition to house rent or advance rent;
- ☐ The assessee may maintain a separate register for his convenience in records, where the monthly rent amount exceeds Tk. 25,000;



Mr. Akmal owns a house, municipal value of which is Tk. 135,000. He has let the house out @ Tk. 10,000 per month and spent Tk. 45,000 as repair and maintenance expense. The house remains vacant for 2 months during the year. Calculate repair & maintenance and vacancy allowance if the house was let out for (a) residential (b) commercial purpose assuming that the proof has been submitted.

- ☐ The register shall contain details and particulars of the tenants' i.e. name, address, date of rent payment, house rent amount received etc.;
- ☐ The assessee must notify the concerned DCT regarding the bank account details where house rent amount is deposited and the statement of such bank account must be submitted with income tax return;
- ☐ In case of multiple owners of a house, bank account maintenance provision will be applicable to those owners whose proportional house property income exceeds Tk. 25,000 per month;
- ☐ Tenants may pay house rent to the landlord through crossed cheque or may deposit the rent directly to the landlord's bank account. If any tenant pays the rent in cash, the landlord will deposit that amount to his bank account;
- ☐ Assessee may also open and maintain a separate bank account in this regard; and
- ☐ If any house owner stays in abroad and gives power of attorney to any person for the rent collection and maintenance of the house, the person having the power of attorney will be responsible to maintain the bank account.

EXHIBIT**6.6****Cases Related to Maintaining Bank Account**

Case 1: Mr. Amit lives in a 6 storied paternal house at Dhanmondi. There are 10 flats in the house, ownership of which belongs to the four successors of his deceased father (4 flats for Mr. Amit, 2 flats for his mother and 2 flats for each of his two sisters) by way of inheritance. Mr. Amit uses 1 flat as residence and rest are let out. His mother's and sisters' flats are also let out. All the flats were let out at a monthly rent of Tk. 25,000 per flat. Moreover, Mr. Amit has taken the possession of a flat at Gulshan (registration process is not completed). The flat is also let out monthly @ Tk. 40,000. One of his two shops in New Market is used by him for his own business and another one is let out @ Tk. 10,000 per month. Here, requirement of a bank account in depositing rent will be applicable for Mr. Amit (having total monthly rent of Tk. 125,000 [Tk. 75,000 from Dhanmondi, Tk. 40,000 from Gulshan, Tk. 10,000 from New Market]), his mother and two sisters (each having monthly rent of Tk. 50,000) as monthly rent exceeds Tk. 25,000. They also must maintain a separate register to record the relevant details of the tenants and rent collection. The tenants may (1) pay the rent through crossed cheques, (2) deposit the rent to landlord's bank account directly, or (3) pay rent in cash which be later deposited by the landlord to the respective bank account.

Case 2: Mr. Sagar has let out a flat with four rooms where in each room four students live. Each student pays Tk. 2,500 rent per month. Moreover, he has four small rooms under his possession in Mirpur from which he gets Tk. 3,000 as rent for each room. Here, monthly rent from Arambag house is Tk. 40,000 [4 × 4 × Tk. 2,500] and monthly rent from Mirpur house is Tk. 12,000 [Tk. 3,000 × 4]. Although Mr. Sagar receives less than Tk. 25,000 from each of the tenants, he must maintain bank account as total monthly rent (Tk. 52,000) exceeds Tk. 25,000.

Case 3: Prime Bank, Mirpur Branch, is situated at a rented house. The monthly house rent is Tk. 30,000 and after deducting 5% TDS as per the law, the bank pays Tk. 28,500 as house rent. The ownership of the house belongs to four successors (2 sons and 2 daughters) of their deceased father Mr. Hasan. The successors divide the monthly house rent based on the Muslim Shariah Law and in this way each son and daughter get Tk. 9,500 and Tk. 4,750 respectively per month from the rent. Here, as each of them receives less than Tk. 25,000 as monthly house rent, the requirement of bank account will not be applicable for them. But if any of them owns some other houses and aggregate monthly rent exceeds Tk. 25,000 per month, the bank account maintenance will be mandatory.

Case 4: Mr. Ahsan has been paying income taxes for last 20 years. House property is one of his sources of income. Currently he received house rent of Tk. 30,000 per month. After the imposition of new provisions, he has revised the deed with his tenant and received the house rent Tk. 20,000 in cash and Tk. 10,000 in cheque.

In the last assessment year, if he submits the income tax return with the bank statement showing Tk. 10,000 as monthly house rent and later during this assessment period if it is found that he has shown Tk. 30,000 as monthly house rent in the last assessment year, the DCT may determine the monthly rent as Tk. 30,000 or any other reasonable value based on section 2(62) for the assessment purpose. Mr. Ahsan will have to pay income taxes on the basis of revised assessment done by the DCT and the DCT will also impose a penalty for non-compliance under section 267(2). The penalty will be higher of 50% of income tax payable on house property income or Tk. 5,000.

Moreover, it is to be provided that if any house owner shows less house rent income despite having more than Tk. 25,000 monthly house rent income, tax will be further determined under section 212 of the ITA, 2023 (Assessment in case of income escaping assessment, etc.) and he will be fined under both section 272 (Penalty for concealment of income) and section 267(2).

Case 5: Mr. Hossain was the owner of a five storied house having ten flats. After his death, he left six successors (wife, three sons and two daughters). Five flats are occupied by the owners as their residence and rest of the flats are let out at a monthly rent of Tk. 20,000 per flat. Under such circumstances, bank account maintenance is not mandatory as none of the owner's monthly house rent exceeds Tk. 25,000.

Case 6: Mr. Zakir, a non-resident Bangladeshi, lives in Canada. He owns a five storied building (total 10 flats) in Mirpur. He has given the power of attorney to his brother Mr. Azad for the maintenance and rent collection of the house. Under such circumstances, on behalf of Mr. Zakir, Mr. Azad will have to operate a bank account to deposit the house rent amount. The bank statement of the account maintained by Mr. Azad will have to be submitted with the income tax return of Mr. Zakir as proof of house rent income.

Case 7: Mr. Anis hasn't maintained any bank account to deposit house rent. In the current assessment year, he has shown total income of Tk. 1,150,000 (business income Tk. 350,000; rental income Tk. 600,000 and income from other sources Tk. 200,000). What amount of fine may be imposed on him under section 267(2) for not maintaining the bank account to deposit the house rent income? Here, his tax liability is Tk. 95,000 as –

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 300,000	Total Tk. 1,150,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	
Tax	-	5,000	40,000	45,000	90,000
Less: investment tax credit (assuming he has no investment allowance)					Nil
Net tax liability					Tk. 90,000

Fine may be imposed for not maintaining the bank account to deposit the house rent income:
Income tax payable on house property income = $(90,000 + 11,50,000) \times 600,000 = \text{Tk. } 46,957$

Under section 267(2), the penalty amount will be higher of 50% of income tax payable amount for rental income (i.e., $50\% \text{ of } \text{Tk. } 46,957 = \text{Tk. } 23,479$ or Tk. 5,000. So, the penalty amount will be Tk. 23,479. In this regard, total payable amount of Mr. Anis will be $(\text{Tk. } 90,000 + \text{Tk. } 23,479) = \text{Tk. } 113,479$. If any interest or surcharge is applicable on it under section 162, it will also be imposed accordingly.

Case 8: Mrs. Haque has income from business and profession. She has claimed Tk. 60,000 (monthly Tk. 5,000) as admissible expense for house rent. If such amount is not paid through crossed cheque or bank transfer, it will not be considered as admissible expense rather will be considered as income from business and income tax will be applicable on such income.



Mr. Miraj is the owner of a house which he let out at a gross monthly rent of Tk. 45,000 to a clinic. The clinic authority deducts tax at source at prescribed rate (5%) before paying the rent to him and Municipal value of the house is Tk. 500,000. Calculate the annual value of the house assuming that the tenant deducts tax at source at prescribed rate.

EXHIBIT

Computation of Total Income from Rent

6.7

	Tk	Tk
1. Higher of Actual Rental Value (ARV)* and Annual Value	XXXX	
2. Amount of advance adjusted against rent	XXXX	
3. Any other receipt from property	XXXX	
4. Service charge, repair & maintenance or other expenses paid by tenant	XXXX	
5. Vacancy allowance	XXXX	
6. Total Rental Value	(XXXX)	
7. Admissible Expenses	allowable deduction	XXXX
(a) Repair and maintenance (note)	(Annual x residential)	XXXX
(b) Municipal / local tax	XXXX	
(c) Land development tax	on commercial	XXXX
(d) Interest on loan	XXXX	
(e) Insurance Premium	XXXX	
(f) Other expenses (if any)	XXXX	
8. Total Admissible Expenses	XXXX	
Net rental income (6 – 8)		XXXX
Assessee's Portion (If applicable)		XXXX

*ARV = Rent received from let out property (+) TDS (if any) (-) Tenant's expenses paid by the owner (if any)

Note: Include collection of rent, water and sewerage, electricity, gas, service charges, repair and maintenance charges and any other basic service charges. Admissible limit is 25% for residential & 30% for commercial house.

SOLVED PRACTICAL CASES (SPC)

SPC
6.1

PROPERTY AT RESIDENTIAL AREA

Mr. Jashim, an assistant professor at a private college, owns a house at Mirpur which has been let out for residential purpose at Tk. 19,000 per month. The municipal value of the house is Tk. 240,000 annually. Expenses that were incurred during the income year for the house includes: repair expense Tk. 65,000; city corporation tax Tk. 7,000; insurance premium Tk. 750 per quarter; interest on borrowed fund Tk. 2,500; and rent collection expenses Tk. 12,000. Compute income from house property for the year.

Assessee: Jashim	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from rent (section 36)		
	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 240,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. Service charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance	-	

6. Total Rental Value	
7. Admissible Expenses	Tk. 60,000
(a) Repair and maintenance (240,000 × 25%) (note 2)	7,000
(b) City corporation tax	3,000
(c) Insurance premium (750 × 4) (note 3)	2,500
(d) Interest on borrowed fund	
8. Total Admissible Expenses	72,500
Net rental income (6 - 8)	Tk. 167,500
Assessee's Portion (Full)	Tk. 167,500

Notes: (1) higher of actual rental value (i.e., $19,000 \times 12 = \text{Tk. } 228,000$) and municipal value (Tk. 240,000) (2) The house is for residential purpose and so repair and maintenance expense is considered as 25% of the annual value. (3) Annual expenses should be deducted from the annual value of the house. So, fire insurance premium converted to annual figure by multiplying 4 with quarterly premium.

PROPERTY AT COMMERCIAL AREA

Mr. Jaman has a house at Mohakhali commercial area (C/A) with an area of 4,800 square feet. He let out this house to a computer firm at an annual rent of Tk. 600,000. The municipal value per square feet at Mohakhali C/A is Tk. 120. Expenses that were incurred during the income year includes: city corporation tax Tk. 15,000, repair expense Tk. 190,000, fire insurance premium Tk. 9,000, night guard's salary Tk. 7,000, and installation of electricity line Tk. 25,000. During the year Mr. Jaman paid installment of loan to HBFC Tk. 67,500 (principal amount is Tk. 64,000). According to the agreement, the owner bears the water and gas bill of the tenant which amounted to Tk. 20,000 for the year. Compute income from house property for the year.

Assessee: Jaman	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from rent (section 36)	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 580,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. Service charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance	-	
6. Total Rental Value		Tk. 580,000
7. Admissible Expenses		
(a) Repair and maintenance (580,000 × 30%) (note 2)	Tk. 174,000	
(b) City corporation tax	15,000	
(c) Insurance premium	9,000	
(d) Interest on borrowed fund	3,500	
8. Total Admissible Expenses		201,500
Net rental income (6 - 8)		Tk. 378,500
Assessee's Portion (Full)		Tk. 378,500

Notes: (1) higher of actual rental value (i.e., rent received Tk. 600,000 less tenant's expenses paid by the owner Tk. 20,000 = Tk. 580,000) and municipal value (i.e., Tk. $4,800 \times 120 = \text{Tk. } 576,000$) (2) Since the house is let out for

commercial purpose, repair and maintenance expense is considered as 30% of the annual value. (3) Installation of electricity line is a capital expenditure, so this is not admissible.

PROPERTIES LET OUT FOR DIFFERENT PURPOSES

Mr. Adib is the owner of three houses at Dhanmondi, Dhaka; Agrabad, Chittagong; and Thakurpara, Cumilla. Details of these properties are given below:

One flat of the Dhanmondi house remained vacant for two months during the year with proof. Two flats of the Thakurpara house are occupied by his dependent sons. Considering following details of these properties, compute taxable income of Mr. Adib from house properties for the current income year.

	Dhanmondi	Agrabad	Thakurpara
Number of storied	3	1	2
Number of flats in each floor	2	1	4
Rental status	Fully let out	Personal use	Partly let out
Purpose	Residential	-	Commercial
Municipal value (annual)	Tk. 925,000	Tk. 120,000	Tk. 700,000
Rental value (each flat per month)	12,000	-	7,000
Expenses incurred during the year:			
▪ Repair and maintenance	Tk. 240,000	Tk. 25,000	Tk. 195,000
▪ Insurance premium (quarterly)	2,000	-	1,500
▪ Salary of guard	15,000	5,000	17,000
▪ Ground rent	2,000	3,000	-
▪ Local government tax (per month)	1,200	600	500
▪ Interest on borrowed fund	5,000	-	4,000

Assessee: Adib	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from rent (section 36): Dhanmondi House	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 925,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. Service charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance [(900,000 ÷ 6) × 2 ÷ 12]	(25,000)	
6. Total Rental Value		Tk. 900,000
7. Admissible Expenses		
(a) Repair and maintenance (900,000 × 25%)	Tk. 225,000	
(b) Fire Insurance Premium (2,000 × 4)	8,000	
(c) Ground rent	2,000	
(d) Local Government Tax (1,200 × 12)	14,400	
(e) Interest on borrowed fund	5,000	
8. Total Admissible Expenses		254,400
Net rental income (6 - 8)		Tk. 645,600
Assessee's Portion (Full)		Tk. 645,600

Income from rent (section 36): Thakurpara House

	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 525,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. Service charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance	-	
6. Total Rental Value		Tk. 525,000
7. Admissible Expenses		
(a) Repair and maintenance $(525,000 \times 30\%)$	Tk. 157,500	
(b) Fire Insurance Premium $[(1,500 \times 4) \times 6 \div 8]$	4,500	
(c) Local Government Tax $[(500 \times 12) \times 6 \div 8]$	4,500	
(d) Interest on borrowed fund $[4,000 \times 6 \div 8]$	3,000	
8. Total Admissible Expenses		169,500
Net rental income $(6 - 8)$		Tk. 355,500
Assessee's Portion (Full)		Tk. 355,500
Aggregate income from all house properties $[646,600 + 355,500]$		1,001,100

Notes: (1) higher of actual rental value $(12,000 \times 12 \times 6 = \text{Tk. } 864,000)$ for Dhanmondi house and $7,000 \times 6 \times 12 = \text{Tk. } 504,000$ for Thakurpara house) and municipal value (Tk. 925,000 for Dhanmondi house and $700,000 \times 6 \div 8 = \text{Tk. } 525,000$ for Thakurpara house) (2) House at Agrabad is occupied by the owner, so it is fully exempted (3) The flats occupied by the son are exempted as they are fully dependent.



ADJUSTMENT OF ADVANCE, VACANCY ALLOWANCE

Mr. Arup is the owner of a five-storied building at Mohakhali. He started the construction of the house on 1st July 2021 and completed the construction on 30th June 2023. He resides with his family in a flat on the 2nd floor and uses another flat for the purpose of his business. Two flats on another floor are used by his two brothers with whom he hasn't signed any rental agreement.

All other floors (on each floor there are two flats) are let out for residential purposes at a monthly rent of Tk. 20,000 per flat. He has also signed supplementary agreements with the tenants and based on that he receives Tk. 6,000 for repair and maintenance, and Tk. 4,000 as service charge. The annual value of each flat is set as Tk. 360,000. From the six tenants, in the income year 2023-2024, he received advances of Tk. 500,000 (to be adjustable against rent Tk. 10,000 per month) and Tk. 200,000 for security deposit (not adjustable against rent).

Expenses that were incurred during the current income year for the house include: city corporation tax Tk. 50,000; insurance premium Tk. 10,000; interest on loan for the current income year Tk. 120,000 of which he paid Tk. 100,000; interest on loan paid during the pre-completion period Tk. 450,000; alteration cost for ground floor Tk. 30,000; and installation of IPS Tk. 25,000. During the year, two flats were vacant for two months and he has the electricity bill as proof. Compute taxable income of Mr. Arup from house property for the income year.

Assessee: Arup

Income from rent (section 36)

Assessment Year: 2024 - 2025

Chapter - 6 Income from Rent

Income Year: 2023 - 2024

	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)		
2. Amount of advance adjusted against rent (note 2)		Tk. 28,80,000
3. Any other receipt from property (note 3)		-
4. S charge, repair & maintenance or other expenses paid by tenant (n 4)		-
5. Vacancy allowance $[(28,80,000 \div 8) \times 2/12 \times 2]$		-
6. Total Rental Value		(120,000)
7. Admissible Expenses		
(a) Repair and maintenance $(27,60,000 \times 25\%)$		Tk. 27,60,000
(b) City corporation tax $(50,000 \times 8 \div 10)$		
(c) Insurance premium $(10,000 \times 8 \div 10)$		Tk. 690,000
(d) Interest paid $(100,000 \times 8 \div 10)$		40,000
(e) Interest on pre-completion period $(450,000/3 \times 8 \div 10)$		8,000
8. Total Admissible Expenses		80,000
Net rental income $(6 - 8)$		120,000
Assessee's Portion (Full)		938,000
Notes: (1) higher of actual rental value (i.e., $20,000 \times 12 \times 6 = \text{Tk. } 14,40,000$) and annual value (i.e., $\text{Tk. } 360,000 \times 8 = \text{Tk. } 28,80,000$) (2) Since annual value has been considered in (1), there is no need to consider the amount of advance adjusted against rent. But if the actual rental value is higher, then it will be considered. (3) There is no other additional receipt from the house property (4) Since annual value is considered in (1), there is no need to consider the amount of the expenses paid by the tenant. But if the actual rental value is higher, then it will be considered. (5) Assuming that there is no unspent repair expense amount (5) Admissible expenses have been considered proportionately for 8 flats, out of 10. (6) Alteration cost for ground floor & installation of IPS are capital expenditure, not admissible		Tk. 18,22,000
		Tk. 18,22,000



ADVANCE, EXPENSE BORNE BY TENANTS, VACANCY ALLOWANCE

Mr. Abedin is the owner of a three-storied building at Mirpur. He resides with his family on one floor and the other two floors were let out for residential purposes. According to the agreements the tenants must deposit Tk. 60,000 per floor to his bank account on a monthly basis. In the income year 2023-2024, he received advances of Tk. 800,000 (to be adjustable against rent Tk. 20,000 per floor per month) and Tk. 10,00,000 for security deposit (not adjustable against rent) from each tenant. During the current income year, according to the agreement, the tenants paid service charges Tk. 50,000 in total. He also received Tk. 15,000 for letting out the rooftop community hall of the building for a birthday party.

During the year, one floor was vacant for one month and he has the electricity bill as proof. He paid the following expenses related to the property for the year: repair expenses Tk. 190,000; city corporation tax Tk. 24,000; insurance premium Tk. 15,000; caretaker and night guard salary Tk. 24,000; painting cost of the building Tk. 15,000; land revenue paid Tk. 3,000; mortgage interest paid Tk. 60,000; legal expense Tk. 6,000; alteration cost for ground floor Tk. 30,000; installation of generator Tk. 50,000; and fuel cost of generator Tk. 20,000. Compute income from rent for the year.

Assessee: Abdon	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Income from rent (section 36)	Tk. 14,40,000	
1. Higher of Actual Rental Value and Annual Value (note 1)	480,000	
2. Amount of advance adjusted against rent (note 2)	15,000	
3. Any other receipt from property	50,000	
4. S charge, repair & maintenance or other expenses paid by tenant	(80,000)	
5. Vacancy allowance (note 3)		Tk. 19,05,000
6. Total Rental Value		
7. Admissible Expenses	Tk. 476,250	
(a) Repair and maintenance (19,05,000 × 25%)	16,000	
(b) City corporation tax (24,000 × 2 ÷ 3)	10,000	
(c) Insurance premium (15,000 × 2 ÷ 3)	2,000	
(d) Land revenue paid (3,000 × 2 ÷ 3)	40,000	
(e) Interest on borrowed fund (60,000 × 2 ÷ 3)		
8. Total Admissible Expenses		544,250
Net rental income (6 - 8)		Tk. 13,60,750
Special Rental Income [Unspent repair u/s 39(1)] (n-4)		227,250
Total rental income		15,88,000
Assessee's Portion (Full)		Tk. 15,88,000

Notes: (1) higher of actual rental value [i.e. (60,000 × 2 × 12) = Tk. 14,40,000 and municipal value (not given) (2) advance adjusted against the rent [i.e. (20,000 × 2 × 12) = Tk. 4,80,000 (3) vacancy allowance will be equivalent to the monthly rent and adjustable rent against advance, as both are included in (1) and (2) i.e. Tk. 60,000 + Tk. 20,000 = Tk. 80,000 (4) Actual amount paid for repair and maintenance (repair expenses Tk. 190,000 + caretaker and night guard salary Tk. 24,000 - painting cost of the building Tk. 15,000 + fuel cost of generator Tk. 20,000 = Tk. 249,000; Allowable repair and maintenance amount i.e. 25% of TRV = Tk. 4,76,250. So, unspent amount of repair expense is Tk. 4,76,250 - Tk. 249,000 = Tk. 227,250. (5) floor alteration and generator installation cost are capital expenditure.

SPC
6.6

PROPERTY LET OUT TO BANK, TDS

Mr. Jalal Ahmed is the owner of a two-storied building at Gulshan. Mr. Ahmed resides with his family in one floor and another floor has been let out to a branch of Prime Bank at a monthly rent of Tk. 30,000. The bank authority deducts tax at source at prescribed rate (5%) before paying the rent to him. The municipal value of the house is Tk. 725,000. Expenses incurred for the house during the year were: city corporation tax Tk. 22,000; insurance premium Tk. 16,000; land revenue Tk. 2,000; interest to HBFC Tk. 6,000; and alteration cost of ground floor Tk. 30,000. Besides, the let-out floor was vacant for 2 months during the year. Compute income from house property for the year.

Assessee: Jalal Ahmed	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Income from rent (section 36)		
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 362,500	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. S charge, repair & maintenance or other expenses paid by tenant	-	

5. Vacancy allowance [362,500 × 2 ÷ 12]		
6. Total Rental Value		
7. Admissible Expenses	(60,417)	
(a) Repair and maintenance (302,083 × 30%)		Tk. 302,083
(b) City corporation tax (22,000 × 1 ÷ 2)		Tk. 90,625
(c) Insurance premium (16,000 × 1 ÷ 2)		11,000
(d) Land revenue paid (2,000 × 1 ÷ 2)		8,000
(e) Interest paid to HBFC (6,000 × 1 ÷ 2)		1,000
8. Total Admissible Expenses		3,000
Net rental income (6 - 8)		113,625
Assessee's Portion (Full)		Tk. 188,458
		Tk. 188,458

Notes: (1) higher of actual rental value [i.e., rental value (28,500 × 12) = Tk. 342,000 plus tax deducted at source (342,000 × 5 ÷ (100 - 5) = Tk. 18,000) = Tk. 360,000] and municipal value (i.e., Tk. 725,000 × 1 ÷ 2 = Tk. 362,500) (2) Legal expense is not an admissible expense. (3) Diesel cost is a part of repair and maintenance.

SPC
6.7

PROPERTY LET OUT BOTH FOR RESIDENTIAL AND COMMERCIAL PURPOSES, VACANCY ALLOWANCE, PARTLY OWNED PROPERTY

Mr. Aziz Ahmed is the joint-owner (owned half) of a two-storied building at Gulshan. Mr. Ahmed let out one floor for residential purpose at a monthly rent of Tk. 25,000 and another floor has been let out to a company at a monthly rent of Tk. 30,000. The company deducts tax at source at prescribed rate (5%) before paying the rent to him. The municipal value of the house is Tk. 650,000. Expenses incurred for that house during the year were: city corporation tax Tk. 22,000; insurance premium Tk. 16,000; legal expense Tk. 10,000; land revenue paid Tk. 2,000; and interest paid to HBFC Tk. 6,000. Compute income from rent of Mr. Aziz Ahmed for the year.

Assessee: Aziz Ahmed	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Income from rent (section 36)		
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 660,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. S charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance	-	
6. Total Rental Value		Tk. 660,000
7. Admissible Expenses		
(a) Repair and maintenance (note 2)		Tk. 183,000
(b) City corporation tax		22,000
(c) Insurance premium		16,000
(d) Land revenue paid		2,000
(e) Interest paid to HBFC		6,000
8. Total Admissible Expenses		229,000

Net rental income (6 – 8)

Assessee's Portion (Half)

Notes: (1) higher of actual rental value [i.e., rental value (residential purpose: $(25,000 \times 12) = \text{Tk. } 300,000 + \text{commercial purpose } (28,500 \times 12) = \text{Tk. } 342,000] = \text{Tk. } 342,000$ plus tax deducted at source $\{342,000 \times 5 \div (100 - 5)\} = \text{Tk. } 18,000$, total = Tk. 660,000 and municipal value (i.e., Tk. 650,000) (2) Allowable repair and maintenance expense $[(300,000 \times 25\%) + (360,000 \times 30\%)] = \text{Tk. } 183,000$. (3) Legal expense is not an admissible expense.

SPC
6.8

INTEREST ON LOAN DURING THE CONSTRUCTION PERIOD, ADVANCE RENT

Mr. Taleb has a two storied building at Motijheel commercial area. He has started the construction of the house on 1st July 2021 and completed the construction on 30th June 2023. After the construction, he let out the full building to a branch of Prime bank at a monthly rent of Tk. 200,000 effective from 1st July 2023. He has also taken Tk. 2,000,000 as advance from Prime Bank as security deposit which is not to be adjusted against rent. The municipal value of the house is Tk. 2,500,000. Expenses incurred during the income year for that house were: repair expense Tk. 400,000; city corporation tax Tk. 30,000; fire insurance premium Tk. 18,000; and installation of IPS Tk. 50,000. Mr. Taleb borrowed Tk. 2,000,000 from Prime Bank Motijheel Branch @ 6% interest on 1st July 2021. Per year installment of the loan is Tk. 300,000 (total interest expense during the construction period of 2 years is Tk. 240,000; assuming simple interest). Compute income from rent for the year.

Assessee: Taleb	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from rent (section 36)	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 2,500,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. S charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance	-	
6. Total Rental Value		Tk. 2,500,000
7. Admissible Expenses		
(a) Repair and maintenance (Tk. 25,00,000 × 30%)	Tk. 750,000	
(b) City corporation tax	30,000	
(c) Insurance premium	18,000	
(d) Interest on loan for construction period $(240,000 \div 3)$ (note 6)	80,000	
(e) Interest on loan for current income year	120,000	
8. Total Admissible Expenses		998,000
Net rental income (6 – 8)		Tk. 1,502,000
Special Rental Income [Unspent repair w/s 39(1)] (n-8)		350,000
Total rental income		1,852,000
Assessee's Portion (Full)		Tk. 1,852,000

Notes: (1) higher of actual rental value [i.e., rental value $(190,000 \times 12) = \text{Tk. } 2,280,000$ plus tax deducted at source (note 3) $\{2,280,000 \times 5 \div (100 - 5)\} = \text{Tk. } 120,000 = \text{Tk. } 2,400,000$ and municipal value (i.e., Tk. 2,500,000) (2) Since the house is let out for commercial purpose, repair and maintenance expense is considered as 30% of the total

rental value. (3) 5% TDS is applicable as the building is let out to a commercial bank (6) Interest on loan during the construction period, is admissible in three equal proportionate installments for subsequent first three years as per section 38(d) (7) Installation of IPS is a capital expenditure, so this is not admissible. (8) Actual amount paid for repair and maintenance Tk. 400,000; Allowable repair and maintenance amount i.e. 30% of TRV = Tk. 750,000. So, unspent amount of repair expense is Tk. 750,000 - Tk. 400,000 = Tk. 350,000.

SPC
6.9

MULTIPLE PROPERTIES, INVESTMENT ALLOWANCE, TAX LIABILITY

Mr. Atif Iqbal owns two houses, at Azimpur and at Dhanmondi. From the following particulars compute his taxable income and tax liability for the current income year.

□ **House at Azimpur:** This is a three storied building (two flats in each floor). One of the flats on the first floor (flat 2A) is used as residence by Mr. Atif and the other flat (flat 2B) on the same floor is used by his son-in-law who pays nothing for it. All other flats were let out for residential purpose at a monthly rent of Tk. 8,000 each. The municipal value of the house is Tk. 480,000. He has also received Tk. 100,000 advance from the tenants which is not adjustable against rent. Expenses of the house for the year were: city corporation tax, quarterly Tk. 2,400; land revenue paid Tk. 12,000; loan repayment to HBFC Tk. 42,500 (including interest Tk. 4,200); and installation of generator Tk. 15,000. Flat no. 3B remains vacant for two months during the year with proof.

□ **House at Dhanmondi:** The house is let out to a private bank branch and received monthly rent of Tk. 47,500 net of TDS @ 5%. The municipal value of the house is Tk. 625,000. He has receipt advance of Tk. 1,000,000 in this regard which is not to be adjusted against rent. Expenses of the house for the year were: fire insurance premium Tk. 25,000; municipal taxes Tk. 12,000; cost of alteration Tk. 55,000; ground rent Tk. 10,000 and legal expenses Tk. 12,000.

□ **Investments and expenses:** During the year, Mr. Iqbal incurred investments and expenses as: family expenses Tk. 350,000; insurance premium: Own (policy value Tk. 500,000) Tk. 40,000 and Spouse (policy value Tk. 500,000) Tk. 60,000; purchase of unlisted company's share Tk. 25,000; donation to the Muktiyuddho Jadughor Tk. 20,000; donation to a local club Tk. 6,000; donation to Government Zakat fund Tk. 30,000 and donation to a Mosque Tk. 10,000. His net wealth amount is Tk 6 crore at the end of the income year.

Assessee: Atif Iqbal	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from rent (section 36): Azimpur House	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 480,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. S charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance $[(480,000 \div 5) \times 2 \div 12]$	(16,000)	
6. Total Rental Value		Tk. 464,000
7. Admissible Expenses		
(a) Repair and maintenance $(464,000 \times 25\%)$		Tk. 116,000

	8,000
(b) City corporation tax (2400 × 4 × 5 ÷ 6)	10,000
(c) Land revenue paid (12000 × 5 ÷ 6)	3,500
(d) Interest paid to HBFC (4,200 × 5 ÷ 6)	
8. Total Admissible Expenses	137,500
Net rental income (6 - 8)	Tk. 326,500
Assessee's Portion (Full)	Tk. 326,500

Income from rent (section 38): Dhanmondi House

	Amount	Amount
1. Higher of Actual Rental Value and Annual Value (note 1)	Tk. 625,000	
2. Amount of advance adjusted against rent	-	
3. Any other receipt from property	-	
4. S charge, repair & maintenance or other expenses paid by tenant	-	
5. Vacancy allowance	-	
6. Total Rental Value		Tk. 625,000
7. Admissible Expenses		
(a) Repair and maintenance (625,000 × 30%)	Tk. 187,500	
(b) Fire Insurance Premium	25,000	
(c) Municipal Tax	12,000	
(d) Ground rent	10,000	
8. Total Admissible Expenses		234,500
Net rental income (6 - 8)		Tk. 390,500
Assessee's Portion (Full)		Tk. 390,500
Aggregate income from all house properties [326,500 + 390,500]		Tk. 717,000

Tax computation and Payment

Gross tax before tax rebate (workings)	Tk. 31,700
Less: Tax rebate (Schedule 5)	21,000
Net tax after tax rebate (a)	10,700
Minimum tax (b)	5,000
Net amount payable [higher of (a) and (b)]	10,700
Add: Surcharges -	
Net Wealth Surcharge (10% of Tk. 10,700)	Tk. 1,070
Environmental Surcharge	1,070
Add: Interest, fine, or any other payment under ITA, 2023	
Total Amount Payable	Tk. 11,770
Less: Payments-	
a. Tax deducted or collected at source	Tk. 30,000
b. Advance tax paid	-
c. Adjustment of tax refund	-
d. Amount paid with return [Balancing figure]	-
Total amount paid and adjusted (a + b + c + d)	Tk. 30,000
Deficit or excess	Tk. (18,230)
Tax exempted income	Tk. -

Schedule 5

Chapter - 6 Income from Rent

Particulars of investment allowance

	Amount
1. Insurance premium: Own (max: 10% of the policy, i.e., 10% of Tk. 500,000)	Tk. 40,000
2. Insurance premium: Spouse (max: 10% of the policy, i.e., 10% of Tk. 500,000)	50,000
3. Donation to Mutijuddho Jadughar	20,000
4. Donation to Government Zakat fund	30,000
Total Investment Allowance	Tk. 1,40,000

Tax Rebate

- A. 3% of total income* (Tk. 717,000 @ 3%)
 B. 15% on total investment allowance (Tk. 140,000 @ 15%)
 C. Tk. 1,000,000

Tk. 21,510	Lower of
Tk. 21,000	A, B, and C,
Tk. 1,000,000	i.e., Tk. 21,000

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 267,000	Total Tk. 717,000
Rate	@ 0%	@ 5%	@ 10%	
Tax	-	5,000	26,700	31,700

Notes: (1) higher of actual rental value [i.e., Azimpur house: rental value (8000 × 5 × 12) = Tk. 480,000; Dhanmondi house: rental value (47,500 × 12) = Tk. 570,000 plus Tk. 30,000 tax deducted at source {570,000 × 5 ÷ (100 - 5)} = Tk. 600,000] and municipal value (i.e., Azimpur house: 480,000 × 5 ÷ 6 = Tk. 400,000; Dhanmondi house: Tk. 625,000) (2) As in the list of admissible expenses of section 38, legal expense is not mentioned it has been ignored.

KEY POINTS

- Higher of Actual Rental Value (ARV) and Reasonable Value /Municipal Value (MV) will be considered as the Annual Value (AV) of the property.
- Income should be generated from let out part and not from any part used by the owner for personal purpose or for the purpose of his business.
- Any revenue generated from the adjacent premises of a building will also be considered as income from rent.
- No assessment should be made on the property occupied by the owner (or his dependent like, spouse or son) for personal purpose.
- AV is adjusted by the admissible expenses in computing the taxable income.
- Repair and maintenance is an admissible expense by 25% of total rental value when let out for residential purpose and 30%, when let out for commercial purpose.
- AV is calculated for the whole income year. Subsequently proportionate amount of AV for the vacant period will be adjusted, subject to the submission of proof.
- No capital nature expenditure is allowed as admissible expense.
- Allowable deductions (as per section 38) are, repair and maintenance, insurance premium, annual local tax, interest on borrowed fund, land development tax.
- Tenant listed in Sec 140(3), shall deduct TDS @ 5% at the time of paying rent.

MULTIPLE CHOICE QUESTIONS

- Annual value of a house property is the
 - amount of actual rent received
 - higher of reasonable value and actual rental value
 - lower of municipal value and actual rental value
 - amount of municipal value
- When the house property is used fully for personal purpose, amount of income from rent will be -
 - the municipal value of the house
 - the fair market value of the house
 - Tk. 15,000 per month
 - Nil
- When tenant bears service charge, it will _____ amount of _____ value.
 - reduce, rental
 - reduce, municipal
 - increase, rental
 - increase, municipal
- Followings are the example of admissible expenses for Income from Rent, except -
 - loan installment
 - repair and maintenance expense
 - uncollectible rent
 - municipal tax
- When the house is let out to a clinic @ Tk. 40,000 per month, the rate of TDS is -
 - 3%
 - 5%
 - 7%
 - none of these
- Admissible repair and maintenance expense for commercial house is _____ of the _____ value.
 - 30%, total rental
 - 25%, rental
 - 25%, annual
 - 30%, annual
- When the house property is used by son-in-law for free, amount of rental value is -
 - the municipal value (MV)
 - the fair market value (FMV)
 - higher of MV and FMV
 - none
- Vacancy allowance (with proof) is the amount equal to -
 - monthly rent multiplied by number of months the house remains vacant
 - proportionate rental value for the vacant month(s)
 - proportionate municipal value for the vacant month(s)
 - proportionate annual value for the vacant month(s)
- Interest on borrowings during construction period is an admissible expense in the -
 - year when revenue is generated from the house property
 - subsequent year only
 - subsequent three years in equal amount
 - none of the above
- When the house is let out to a foreign mission @ Tk. 100,000 per month, the rate of TDS is -
 - 3%
 - 5%
 - 7%
 - none of these

TRUE (T) OR FALSE (F) IDENTIFICATION

- Income should be generated from any let-out part of the house property.
- Actual rental value increases by any owner's expense(s) paid by the tenant.
- Interest on mortgage loan is an admissible expense even when the loan is taken for personal purpose not related to the property.
- Actual amount of repair and maintenance is not relevant to calculate admissible expense relating to the house property.
- TDS will be charged if tenant is a clinic or hospital.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
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DISCUSSION QUESTIONS (DQ)

- Explain the concept of income from rent as per the ITA, 2023.
- Define Total Rental value. Explain how it is computed.
- What are the conditions of taxation on 'Income from Rent'?
- Discuss the allowable deductions under 'Income from Rent' as per section 38.
- "House property can be under different rental status and so assessment of income based on rental status can be different" - explain.
- Discuss the rules relating to Tax Deducted at Source (TDS) applicable for the income under the head 'Income from Rent'.
- State the rate of TDS applicable for rental income.
- Write short note on: ☐ Income from partly let out house ☐ Annual value ☐ Actual Rental value ☐ Repair and maintenance expense

PROBLEM CASES (PC)

PC6.1: Mr. Huda is the owner of a house which was rented for Tk. 12,000 per month. The municipal value of the house is Tk. 160,000 annually. Expenses incurred in the income year for that house were: repair expense Tk. 18,000; city corporation tax Tk. 4,800; caretaker salary Tk. 12,000; rent collection expenses Tk. 1,500; fire insurance premium Tk. 500 per month; and interest on borrowed fund Tk. 1,500. Compute income from rent for the income year.

PC6.2: Mr. Simanto has the stated house property income for the current income year as: rent received Tk. 600,000; annual value of the house is Tk. 650,000. He spent for repairing his house Tk. 25,000; ground rent paid Tk. 5,000; collection charges of rent 2% of the total rent; guard's salary maintained for his house Tk. 24,000; liftman's salary Tk. 30,000; insurance premium paid Tk. 25,000. He also paid bank interest due to mortgage of the house Tk. 10,000 and land development tax paid to government Tk. 12,000. How much tax does he has to pay?

PC6.3: Mr. Belal has a house at Banani with an area of 5,000 square feet. He let out half of this house to a Insurance Company at an annual rent of Tk. 36,00,000. The municipal value per square feet at Banani is Tk. 750. Expenses incurred in the income year for that house were: repair expense Tk. 400,000; maintenance expense Tk. 50,000; city corporation tax Tk. 200,000; fire insurance premium Tk. 50,000; and installation of electricity line Tk. 200,000. During the year Mr. Belal paid installment of loan to HBFC Tk. 48,500 (interest amount is Tk. 4,200). Besides, all these, Mr. Belal let out the garage just besides the building at a monthly rent of Tk. 2,000. Compute income from rent for the income year.

PC6.4: Mr. Imtiaz is the owner of a 3-storied building (in each floor there are two flats) at Mohakhali. He resides with his family in one flat on the 2nd floor and his son, who is married and not dependent on him, resides in another flat. Moreover, one of his

married daughters also stays with his husband in one flat of the third floor for which they pay nothing to him. The other flats are let out at a monthly rent of Tk. 8,500 per flat. The municipal value of the house is Tk. 400,000. In the income year 2023-2024, he received advances of Tk. 800,000 (to be adjustable against rent Tk. 20,000 per month) and Tk. 10,00,000 for security deposit (not adjustable against rent) from each tenant. During the current income year, according to the agreement, the tenants paid service charges Tk. 50,000 in total. He also received Tk. 15,000 for letting out the rooftop community hall of the building for a birthday party. During the year, one floor was vacant for one month and he has the electricity bill as proof. Expenses incurred during the income year for that house were: city corporation tax Tk. 15,000; insurance premium Tk. 24,000; legal expense Tk. 5,000; installment of loan paid to HBFC Tk. 12,000 (including interest Tk. 1,500); and alteration cost for ground floor Tk. 43,000.

PC6.5: Mr. Alam is the owner of three houses at Azimpur, Dhaka; Laldighi, Chattogram; and Bagicagong, Cumilla. In Azimpur, one flat remains vacant for two months and in Bagicagong, one flat is occupied by his son-in-law who pays nothing for it. Other flats in Bagicagong were let out to a private nursing home. Compute income from rent for the income year considering the following details.

	Azimpur	Laldighi	Bagicagong
Number of storied	2	2	3
Number of flats in each floor	2	2	1
Rental status	Fully let out	Personal use	Partly let out
Municipal value (annual)	Tk. 4,00,000	Tk. 1,20,000	Tk. 2,00,000
Rental value (each flat per month)	15,000	-	5,000
Expenses incurred:			
• Repair and maintenance	70,000	25,000	55,000
• Insurance premium (quarterly)	2,000	-	1,500
• Salary of guard (per month)	2,000	1,000	1,500
• Ground rent	-	4,000	-
• Local government tax (per month)	1,200	600	500
• Interest on borrowed fund	8,000	-	6,000

PC6.6: Mr. Singha is the owner of a three-storied building at Mohakhali. Mr. Singha resides with his family on the 2nd floor and all other floors (in each floor there are two flats) are let out at a monthly rent of Tk. 8,700 per flat. The municipal value of the house is Tk. 660,000. He received advance of Tk. 100,000 during the period which is not adjustable against rent. Expenses incurred during the income year for that house include: repair expenses Tk. 60,000; city corporation tax Tk. 18,000; insurance premium Tk. 15,000; caretaker and night guard salary Tk. 24,000; land revenue paid Tk. 9,000; mortgage interest paid Tk. 6,000; interest paid to HBFC Tk. 4,500; interest during the construction period Tk. 33,000; and alteration cost for ground floor Tk. 60,000. During the year one of the tenants on the ground floor left the house without paying rent for one month. Mr. Singha even after taking necessary legal action fails to

collect this rent. Besides that, the same flat was vacant for two months during the year. Compute income from rent for the income year.

PC6.7: Mr. Mahbub Polash has a two storied house at Gulshan. He lives in one floor and let out the other floor to a foreigner for residential purpose at a monthly rent of Tk. 80,000. The municipal value of the house is Tk. 2,000,000. He received advance of Tk. 160,000 from the tenant during the year of which 50% will be adjusted against rent during the current income year. Moreover, he has received Tk. 10,000 from an NGO for allowing them to use the lawn of the house for free vaccination campaign.

Expenses incurred during the year for that house were: repair Tk. 300,000; city corporation tax Tk. 30,000; fire insurance premium Tk. 18,000; night guard's salary Tk. 30,000; and installation of electricity line Tk. 25,000. During the year, Mahbub paid installment of loan to HBFC Tk. 300,000 against a 6% house building loan of Tk. 2,000,000. The let-out floor was vacant for one month during the year. Compute rental income from the house property.

PC6.8: Ms. Rodriguez is the owner of a three-storied building (in each floor there are two flats) at Mohakhali. She resides with her family in one flat on the 2nd floor and her son, who is fully dependent on her, resides in another flat. The other two floors have been let out at a monthly rent of Tk. 50,000 each to a Customer Care Center of Grameenphone Limited and a Branch of Prime Bank Limited respectively. In this regard she has received an advance of Tk. 500,000 as security deposit. Moreover, in addition to it she has also let out the garage on the ground floor @ Tk. 15,000 per month to the same companies at an equal proportion.

The following expenses were also incurred during the income year for that house: city corporation tax Tk. 15,000; insurance premium Tk. 24,000; legal expense Tk. 5,000; installment of loan paid to HBFC against a loan of Tk. 24 lac Tk. 300,000 (including interest of Tk. 240,000); and installation cost for lift and generator Tk. 50,000. Compute the amount of taxable income for Mr. Rodriguez from "Income from Rent" for the income year.

PC6.9: Ms. Asmit Jahan owns two houses: one at Baridhara and another at Mohammadpur. From the following particulars compute her income from rent and tax liability for the current assessment year.

□ **House at Baridhara:** This is a six storied building (two flats in each floor). One of the flats in first floor (flat 2A) is used as residence by Ms. Asmit and the other flat (flat 2B) in the same floor is used by her son-in-law who pays nothing for it. All other flats were let out at a monthly rent of Tk. 10,000. The municipal value of the house is Tk. 1,500,000. Expenses of the house for the year were: White-wash expense Tk. 50,000; Repair expense Tk. 1,25,000; Rent collection expense Tk. 8,000; City corporation tax, quarterly Tk. 12,600; Land revenue paid Tk. 6,000;

- Salary of guard, monthly Tk. 2,500; Loan repayment to HBFC (including interest Tk. 4,200) Tk. 42,500 and Installation of generator Tk. 35,000. Flat no. 3B remains vacant for two months during the year.
- *House at Mohammadpur:* The house is let out to a company at a yearly rent of Tk. 800,000. The company authority deducts tax at source at prescribed rate (5%) before paying the rent to him. Municipal value of the house is Tk. 750,000 and expenses of the house for the year were: Fire insurance premium Tk. 25,000; Municipal taxes Tk. 12,000; Cost of alteration Tk. 55,000; Ground rent Tk. 10,000 and Legal expenses Tk. 12,000. According to terms of agreement the tenants will bear the service charge which amounted to Tk. 60,000 for the year.
- *Investment and expenses:* Ms. Asmit incurred investments/expenses for the year as: family expenses Tk. 420,000; insurance premium, own Tk. 80,000 (policy value Tk. 600,000), spouse Tk. 90,000 (policy value Tk. 1,000,000); purchase primary share Tk. 55,000; contributed to DPS and Universal pension scheme @ Tk. 15,000 and Tk. 5,000 respectively; donated to local club Tk. 16,000; purchase of desktop computer Tk. 55,000.

ANSWERS

MULTIPLE CHOICE QUESTIONS									
1	2	3	4	5	6	7	8	9	10
b	d	c	a	b	a	c	d	c	d

TRUE/FALSE				
1	2	3	4	5
T	T	F	T	T

SELF – REVIEW 6.1

- (a) Actual Rental Value (10,000 × 12) Tk. 120,000
Municipal Value/Reasonable Value 135,000
Annual Value (higher one) Tk. 135,000
- (b) Actual Rental Value (10,000 × 12) Tk. 120,000
Municipal Value/Reasonable Value 110,000
Annual Value (higher one) Tk. 120,000

SELF – REVIEW 6.2

- (a) Here, the total rental value is Tk. 100,000. Allowable repair and maintenance will be 25% of the total rental value i.e. (Tk. 100,000 × 25%) = Tk. 25,000. Since the actual repair and maintenance expense amount is Tk. 30,000, there is no unspent amount of repair and maintenance expense hence, there will be no income from special rent.
- (b) Here, the total rental value is Tk. 100,000. Allowable repair and maintenance will be 25% of the total rental value i.e. (Tk. 100,000 × 25%) = Tk. 25,000. Since the actual repair and maintenance expense amount is Tk. 20,000, the unspent amount of repair and maintenance expense is (Tk. 25,000 – Tk. 20,000) = Tk. 5,000, hence it will be shown as income from special rent.

SELF – REVIEW 6.3

Actual rental value (10,000 × 12)
Municipal value
Annual value (higher one)

Fully let out	Partly let out	Personal use
Tk. 120,000	Tk. 60,000	-
135,000	67,500	-
Tk. 135,000	Tk. 67,500	-

SELF – REVIEW 6.4

Annual/Total Rental Value:

= higher of ARV and MV
= higher of 120,000 and 135,000
= Tk. 135,000

Repair and Maintenance expense:

(a) AV × 25% = 135,000 × 25% = Tk. 33,750

(b) AV × 30% = 135,000 × 30% = Tk. 40,500

Vacancy Allowance: (135,000 ÷ 12) × 2 = 22,500

Actual repair expense amount is irrelevant.

SELF – REVIEW 6.5

Rent received (42,750 × 12)
Add. TDS [513,000 × 5 ÷ (100 - 5)]
Actual Rental Value
Municipal Value

Tk. 513,000			Annual Value (higher one)
27,000			
	Tk. 540,000		
	Tk. 500,000	Tk. 540,000	

7

Income from Agriculture

"To tax and to please, no more than to love and to be wise, is not given to men."
— Edmund Burke

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

- CLO 7.1 understand the concept of agricultural income
- CLO 7.2 recognize relevant admissible expenses
- CLO 7.3 apply taxability on different agricultural income
- CLO 7.4 differentiate agricultural from non-agricultural income
- CLO 7.5 analyze agricultural losses
- CLO 7.6 list non-assessable agricultural income
- CLO 7.7 recall rebate on allowable investments
- CLO 7.8 compute tax liability on agricultural income

KEY TERMS

Agricultural income,
Partly agricultural income,
Set off and carry forward
of losses, Admissible
expenses, Exemption,
Non-assessable income,
Allowable depreciation,
Production costs, Barga

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.

	Dimensions	Knowledge			
		Factual	Conceptual	Procedural	Metacognitive
Cognitive process	Remember	List	Recognize	Recall	Identify
	Understand	Summarize	Classify	Clarify	Predict
	Apply	Respond	Provide	Carry out	Use
	Analyze	Select	Differentiate	Integrate	Deconstruct
	Evaluate	Select	Determine	Judge	Reflect
	Create	Generate	Assemble	Design	Create

7.1

CLO
7.1

INTRODUCTION

According to section 40 of the Income Tax Act (ITA), 2023, agricultural income is the third head among the seven heads of income. It is the most important sector in the economy of Bangladesh, whereas the contribution of tax from this sector is very insignificant. In Bangladesh, agricultural income was non-assessable up to the year 1976. It has been brought under the tax net through the Finance Act 1976.

7.2

CLO
7.1
7.3

AGRICULTURE

Generally the term 'agriculture' refers to the production of goods through the growing of plants, animals and other life forms. It also refers to field/ground cultivation, which involves a combination of both basic and subsequent operations:

Basic operations in agriculture, in its primary sense denotes the cultivation of the field and is restricted to cultivation of the land in the strict sense, meaning thereby tilling of the land, sowing of the seeds, planting and similar operations on the land.

Subsequent operations are absolutely necessary for the purpose of effectively raising the produce and are to be performed after the produce sprouts from the land, e.g. weeding, digging the soil around the growth, removal of undesirable undergrowth, and all operations which foster the growth and preservation of the produce not only from insects and pests but also from depredation from outside, tending, pruning, cutting, harvesting and rendering the produce fit for the market, would all be agricultural operations when taken in conjunction with the basic operations.

Crops or trees of spontaneous growth in forests or any other places, where there is no human effort, are not considered as agriculture. According to section 40(3) of the ITA, 2023, "Agriculture" includes any kind of horticulture, animal husbandry, natural use of land, poultry & fish farming, reptile farming, nursery, any kind of cultivation in land & water, production of egg & milk, production of timber, grass, plant, fruit, flower, honey, and seeds.

7.3

CLO
7.3
7.4

AGRICULTURAL INCOME: SCOPE AND CLASSIFICATION

According to section 40 of the ITA, 2023, 'agricultural income' can be classified into following three categories:

Regular Agricultural Income

any income derived from any agriculturally based activities of an assessee. Some of the examples are, sale of crops, sale of fish from fisheries farm etc.

Partly Agricultural Income

According to section 40(2) of the ITA, 2023, income derived from the sale of tea and rubber grown and manufactured by the seller shall be computed as follows:

- 40% of such income was derived from business, and
- 60% of such income was derived from agriculture.

Special Agricultural Income

Following two types of income shall be considered as agricultural income as per section 41 of ITA 2023.

- ☐ Income derived from the **Sale of Asset** exclusively used for agricultural purposes.
- ☐ **Insurance claim/Salvage/Compensation money** received against demolished asset exclusively used for agricultural purposes:

For both of these cases, if

$A > B$	Total Gain = $A - C$	$A - B = \text{Capital Gain}$ $B - C = \text{Agricultural Income}$
$A < B \text{ but } A > C$	Total Gain = $A - C$	$A - C = \text{Agricultural Income}$
$A < C$	Total Loss = $A - C$	$A - C = \text{Allowable expense under Agricultural Income}$

Here, A = Sale proceeds/Insurance claim/Salvage/Compensation money received against the asset, B = acquisition price (i.e. original costs) of the asset, and C = Written Down Value of the asset (after deducting depreciation from cost at the rates specified in the 3rd Schedule).

EXHIBIT

7.1

Examples of Capital Gain and Insurance Claim

Case 1: Mr. Bisu is the owner of a pump machine which was purchased for Tk. 40,000. To acquire an advanced technology in the irrigation plant he sold the pump machine for Tk. 42,000. At the time of sale, accumulated depreciation of the pump machine was Tk. 18,000. Agricultural income from the sale proceeds should be:

Cost of the machine	Tk. 40,000
Accumulated Depreciation (at the time of sale)	18,000
Written down value	22,000
Sale proceeds	42,000
Total gain	Tk. 20,000
Capital gain [Sale proceeds - Cost price]	2,000
Gain to be considered as agricultural income [Cost price - WDV]	18,000

Case 2: Mr. Tareq had a Tractor which was purchased for Tk. 40,000. Due to an accident, the tractor was destroyed and the insurance company has given a compensation of Tk. 30,000. At the time of destruction accumulated depreciation of the tractor was Tk. 15,000 and the scrap value is Tk. 1,000. Agricultural income from the insurance claim should be:

Cost of the machine	Tk. 40,000
Accumulated Depreciation (at the time of sale)	15,000
Written down value	25,000
Compensation received	30,000
Scrap value	1,000
Amount to be considered as agricultural income [Total compensation & Salvage - WDV]	6,000

7.4

CLO
7.1
7.3

CHARACTERISTICS OF AGRICULTURAL INCOME

Considering the ITA, 2023, definitions mentioned in dictionaries, and case decisions, the following characteristics are relevant to agricultural income:

- ☐ It must derive from any agricultural activities in Bangladesh.
- ☐ The land for agricultural income to be assessed must be situated in Bangladesh.
- ☐ It must come from fundamental agricultural work like field cultivation or cultivation of the ground, in the sense of tilling of the land, sowing of the seeds, planting and similar basic and subsequent operations on the land.
- ☐ Marketing of the agricultural products should be through ordinary procedure. The produce raised may have no market in its native form and may require to perform a process on the produce to make it marketable or saleable. The gain in the value of the produce by such process is also classified as income from agriculture.
- ☐ Income may come from gain on sale or discarded value of machineries or plant used for agricultural purpose;
- ☐ Some may partially be the agricultural income; e.g. sale of tea, rubber, etc.
- ☐ When the property is occupied by the cultivator or the recipient of agricultural income where any process as may be described agricultural, is carried therein, or in the immediate vicinity of agricultural land, and is used as a dwelling house, in connection with the land, any income from such house property is regarded as agricultural income. But non-agricultural income does not become agricultural by reason of only in direct connection with agricultural land [Premier Construction Co. V. C.I.T. 1948 I.T.R. 380, 384].
- ☐ No advance tax is payable on agricultural income up to Tk 800,000 [section 154].

7.5

CLO
7.1
7.4

SOME TYPICAL AGRICULTURAL INCOME

Following sources are also considered as income under the head 'Income from agriculture' in addition to above mentioned sources. These include income from:

- ☐ Cattle rearing
- ☐ Sale of palm juice and Date juice; seeds and grass, if grown by human effort
- ☐ Agricultural cooperative society organized for farming and cattle rearing
- ☐ Land/assets used to process agricultural commodities to make them marketable
- ☐ The land leased for agricultural purposes
- ☐ Any crop sharing system generally known as adhi, barga or bhag
- ☐ Sale of herbal or medicinal plants

7.6

CLO
7.4

SOME TYPICAL NON-AGRICULTURAL INCOME

- ☐ Income from ferry ghat, mooring terminal and fishing
- ☐ Income from sale of produce that grow up in the agricultural land without agricultural works e.g., forest trees, wild grass, fruit, and flowers grown spontaneously and without human effort
- ☐ Income from salt production by flooding the land with sea water and then extracting salt therefrom
- ☐ Income from cutting and selling of timber on contract

SELF - REVIEW
7.1

Mr. Ali is a farmer. He owns a tractor which was purchased for Tk. 80,000 and its WDV was Tk. 55,000 on 15th August, 2023. He sold this tractor on 15th August for Tk. 63,000. Calculate Mr. Ali's income from this sale.

- ☐ Interest on arrear of rent for agricultural land
- ☐ Income from letting out vacant land not used for agricultural purpose
- ☐ Royalty/ground rent against lease of land for mining, potteries, quarries etc.
- ☐ Sale of soil used for brick field
- ☐ Income from sale of water used for irrigation
- ☐ Income from sale of forest trees, flowers, bamboo, wild grass, reeds, or fruits produced naturally without any agricultural work
- ☐ Sale of stones from quarries
- ☐ Income from salary for working as an agricultural supervisor / manager
- ☐ Income from sale of crops which has been purchased from others for resale
- ☐ Income from dairy farm established for business purpose
- ☐ Income from poultry farm established separately for business purpose
- ☐ Income from fisheries; fish hunting, ship anchor etc.
- ☐ Income derived from butter and cheese making
- ☐ Income received as commission for working as middleman in agro products
- ☐ Remuneration received by managing agent at a fixed percentage of net profit from a company having agricultural income.
- ☐ Interest received by an assessee against loan in the form of agricultural produce
- ☐ Dividend paid by a company out of its agricultural income

7.7

CLO
7.2

ADMISSIBLE EXPENSES

As per section 42 of the ITA, 2023, in computing the taxable income under the head 'Agricultural Income', some expenses are allowed to be deducted from the revenues under this head. For this section only that part of the expense will be allowable which is related to the agricultural income. Those allowable allowances and deductions are:

- ☐ **Land Development Tax:** Any land development tax, tax or rate/cess paid in respect of the land used for agricultural purposes [section 42(1)(a)].
- ☐ **Rent and maintenance expense:** Any rent, charges for development & maintenance paid in respect of the land used for agricultural purposes, and cost of cultivation [section 42(1)(b)].
- ☐ **Interest on Loan:** Interest/profit payable on any loan for agricultural purposes.
- ☐ **Repair, maintenance, transportation costs etc.:** Any amount paid for maintaining agricultural implements and machinery in good condition, its repair and for providing upkeep of cattle for the purpose of cultivation, processing or transportation as aforesaid [section 42(1)(d)].
- ☐ **Insurance Premium** paid to affect any insurance against loss of, or damage to, the land/any crop to be raised from, or cattle to be reared on, the land [sec 42(1)(e)].

Chapter - 7 Income from Agriculture

- ☐ **Expenses for preventive measures:** Any sum paid for the protection of agricultural affairs from natural calamity or any other damages [sec 42(1)(f)].
- ☐ **Depreciation and Amortization:** Depreciation expense relating to all the tangible assets and facilities and amortization expenses relating to intangible assets from which agricultural income is derived is considered as allowable deduction [section 42(1)(f)]. Here the rate of depreciation is the rates provided in the Third Schedule of the Income Tax Act (ITA), 2023.
- ☐ **Loss on sale/disability of cattle:** In case of the death or permanent disability of the cattle, excess of the original cost of the cattle and the sale proceeds of the cattle or its meat. [section 42(1)(g)]
- ☐ **Foreign travel expense** incurred as a member of any government sponsored agriculture related delegation team, not capital in nature; [section 42(1)(h)]
- ☐ **Training expense** incurred for training Bangladeshi citizens in any Board approved scheme; [section 42(1)(i)]
- ☐ Any agriculture related scientific research expenditure or any expenditure solely and exclusively incurred for the development of the agricultural activities of the assessee. [section 42(1)(j)]

Allowable production cost where books of accounts in respect of such expenses are not maintained properly [Section 43]

- According to the section 43(1), if it is found that -
- ☐ the assessee has not been maintaining proper books of accounts;
 - ☐ where it is apparent to the DCT that the assessee has been following accounting method that failed to provide clear information regarding the assessee's income;
 - ☐ the assessee failed to preserve the books of accounts or transaction details; or
 - ☐ the preserved books of accounts or transaction details is not verifiable.

Under such circumstances, notwithstanding anything contained in any other section, production costs will not be the amount claimed by the assessee rather it will be 60% of the market value of the produce.

EXHIBIT

Depreciation rates [as per the Third Schedule]

Building or structure made of brick, concrete, iron or similar types of materials	Rate	Building/House made of Tin, Bamboo, dry stock, or similar types of materials	Rate
Permanent fence	5%	Tube-well	10%
Tank	10%	Irrigation well, channel, & Pipe	10%
Agricultural fixtures made of wood or bamboo	10%	Weighing Machine	10%
Tractors, oil engines and thin implements	20%	Truck, Delivery van, and other vehicles	10%
Flier pumping equipment	20%	Non-motorized vehicle	15%
Steam engine	10%	Factory machineries	15%
Others (machinery, implements, plants and other assets)	10%		



Mr. Ali is a farmer. He sold 100 maunds of rice @ 600 per maund. His production expenses are, cost of seeds and fertilizer Tk. 15,000; Labor costs Tk. 18,000; Transportation costs Tk. 3,000 and costs for ordinary processing Tk. 4,000. Calculate production costs for Mr. Ali, considering - (a) He did not maintain proper books of accounts relating to production costs (b) He maintain all books of accounts relating to production costs.

7.9

CLO
7.6
7.8

NON - ASSESSABLE AGRICULTURAL INCOME

Subject to some conditions, following agricultural incomes are non-assessable.

- ☐ Tk. 200,000 of agricultural income is non-assessable income if the assessee - (a) is a farmer in profession; (b) has no other income except (i) the said agricultural income from cultivation; (ii) interest or profit not exceeding Tk 20,000. [Sixth Schedule, Part I, Para 20].
- ☐ Any income of an indigenous hillman of hill districts of Rangamati, Bandarban and Khagrachari, which has been derived solely from economic activities undertaken within the said hill districts [Sixth Schedule, Part I, Para 19].
- ☐ Full tax exemption for certain agro-based industries [SRO No. 164-AIN/IT/2021 dated 03/06/2021]: Companies with minimum Tk. 1 crore investment, registered under the companies Act 1994 and BIDA, established within July 01, 2021 to June, 30, 2030, engaged in fruit processing, vegetable processing, production of milk and dairy products, baby food production, and agricultural machineries production, will get full exemption from tax fulfilling certain conditions on such incomes for the first 10 years after the commercial operation.

Explanation: Total income of Mr. Hasan, a farmer in profession, during the income year is Tk. 650,000 (source of Tk. 630,000 from sale of crops and Tk. 20,000 from bank interest). In this case up to Tk. 200,000 is non-assessable and he is also eligible to enjoy the normal non-assessable limit of Tk. 350,000 (in case of, woman, elderly citizens of more than 65 years old Tk. 400,000, for third gender & disabled persons Tk. 475,000 and for gazette wounded freedom fighters Tk. 500,000) and his taxable total income will be Tk. 100,000 (650,000 - 200,000 - 350,000). In case of having income from bank interest or profit exceeding Tk. 20,000 or having income from other heads, such exemption of up to Tk. 200,000 will not be applicable.

Reduced Tax Rate for Certain Agricultural Incomes

Any income from production of pelleted poultry feed, production of pelleted feed for fish, shrimp & cattle, production of seeds, marketing of locally produced seeds, cattle farming, dairy farming, frog farming, horticulture, Silk tree plantation, Bee keeping, Silkworm firming, mushroom farming, floriculture is taxable at a reduced tax rate as follows [SRO No. 199-AIN/IT/2015 dated 01/07/2015]:

Income	On first Tk. 10 lac	On next Tk. 20 lac	On rest of the amount
Tax rate	3%	10%	15%

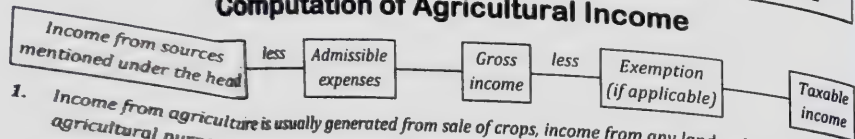
Reduced Rate for Poultry Firm, Poultry & fish hatchery, fisheries Farm
 Tax rate on Income from poultry firm, Poultry & fish hatchery, fisheries Farm [SRO No. 157-AIN/IT/2022 dated 01/06/2022]

Income	On first Tk. 10 lac	On next Tk. 10 lac	On next Tk. 10 lac	For the rest of the amount
Tax rate	Nil	5%	10%	15%

EXHIBIT

Computation of Agricultural Income

7.4



- Income from agriculture** is usually generated from sale of crops, income from any land or building used for agricultural purposes, income from granting a right ['barga', 'adhi' or 'bhag'], income from tea garden or rubber garden [60%], revenue profit by sale of discarded or demolished agricultural machines, and other income relating to agriculture [e.g., sale of palm juice, rearing of cattle, etc.]
- Admissible expenses:** In computing taxable income expenses that are allowed to deduct from agricultural income include land development tax, any other taxes [local taxes, cess etc], production costs, insurance premium, depreciation, interest on loan, losses due to discard or demolish of agricultural machineries, other revenue expenses.
- Production costs:** If proper books of accounts related to production costs are not maintained, actual production costs are not admissible rather an expenditure equivalent to 60% of sale proceeds of the produce is allowed as admissible expense.
- Exemption:** In case of the assessee being a farmer in profession, having only agricultural income from cultivation and bank interest/profit not exceeding Tk. 20,000, the assessee is allowed to get an exemption of a maximum amount of Tk. 200,000 [Sixth Schedule, Part 1, Para 20].

SOLVED PRACTICAL CASES (SPC)

BOOKS OF ACCOUNTS FOR PRODUCTION COSTS

- Agricultural income of Mr. Zahir for the current income year are from –
- sale of paddy 150 maunds @ Tk. 600 per maund;
 - sale of jute 100 maunds @ Tk. 800 per maund;
 - sale of rabi crops Tk. 65,000 and sale of tea Tk. 70,000;
 - income from barga Tk. 20,000; and
 - sale of sugarcane Tk. 30,000.

Related expenses are cultivation costs Tk. 159,000; land revenue paid Tk. 7,000; union parisdad tax Tk. 4,400; crop insurance premium Tk. 5,600; allowable depreciation Tk. 3,000; and interest on borrowed fund Tk. 2,800. Compute taxable

SPC
7.1

income considering Mr. Zahir kept proper books of accounts. What is the answer if he didn't keep the books?

Chapter - 7 Income from Agriculture

Assessee: Zahir

Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
1. Income from Agriculture (section 40)	
Revenue from agricultural sources (workings 1)	
Less: admissible expenses (workings 2)	
2. Income from Business (section 45)	
Sale of Tea (70,000 × 40%)	
Total taxable income	Tk. 145,200

Workings 1: Agricultural revenue

Sale of paddy (150 × 600)	Tk. 90,000
Sale of jute (100 × 800)	80,000
Sale of rabi crops	65,000
Sale of Tea (70,000 × 60%)	42,000
Barga	20,000
Sale of sugarcane	30,000
Total agricultural revenue	Tk. 327,000

Workings 2: Admissible expenses	
Cultivation costs	Tk. 159,000
Land revenue paid	7,000
Union parisdad tax	4,400
Crop insurance premium	5,600
Allowable depreciation	3,000
Interest on borrowed fund	2,800
Total admissible expenses	Tk. 181,800

If Mr. Zahir didn't maintain proper books of accounts, the only exception from the above calculation be for admissible expenses for the agricultural income. In this case, admissible expense will be 60% of the sales proceeds of the produce (except barga), i.e., 60% of (sale of Paddy Tk. 90,000 + Jute Tk. 80,000 + rabi crops Tk. 65,000 + tea Tk. 42,000 + sugarcane Tk. 30,000) = Total proceeds Tk. 307,000 i.e. Tk. 184,200.

EXEMPTED INCOME, INTEREST ON LOAN, ALLOWABLE DEPRECIATION

Mr. Rahman is a farmer whose only income is from agriculture. Compute taxable income for Mr. Rahman for the current income year considering:

- sale of rice 150 maunds @ Tk. 710 per maund;
- sale of potato 300 maunds @ Tk. 150 per maund;
- income from Barga Tk. 40,000;
- lease of agricultural land Tk. 300,000.

Expenses relating these incomes were: cost of seeds and fertilizer Tk. 36,500; labor charge Tk. 40,000; maintenance costs of agricultural equipment Tk. 4,000; union parisdad tax Tk. 5,800; crop insurance premium Tk. 8,200; depreciation on tractor @ 20% Tk. 14,000. The cost of seeds and fertilizer includes Tk. 1,500 spent against Barga. Mr. Rahman has borrowed fund from Kribi Unnayon Bank Tk. 40,000 @ 15% on 15th October of the income year. Allowable depreciation for tractor as per the 3rd Schedule of the ITA, 2023 is at the rate of 10%.

Mr. Rahman maintains books of accounts properly.

SPC
7.2

Assessee: Rahman	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from Agriculture (section 40)		
Revenue from agricultural sources (workings 1)		Tk. 491,500
Less: admissible expenses (workings 2)		104,250
Less: exemption (maximum Tk. 200,000) (note 4)		
Total taxable income		Tk. 387,250

Workings 1: Agricultural revenue	Workings 2: Admissible expenses
Sale of rice (150 × 710)	Production costs (note 1)
Tk. 106,500	Union parishad tax
Sale of potato (300 × 150)	Crop insurance premium
45,000	8,200
Barga	Allowable depreciation (note 2)
40,000	Interest on borrowed fund (note 3)
Lease of agricultural land	4,250
300,000	Total admissible expenses
Total agricultural revenue	Tk. 104,250

Notes: (1) Production costs: Cost of seeds and fertilizer Tk. 35,000 + Labor charge Tk. 40,000 + Maintenance costs of agricultural equipment Tk. 4,000 = Total 79,000. No production costs are allowed for share from barga. So, cost of seeds and fertilizer is allowable up to (36,500 - 1,500) or 35,000. (2) Allowable depreciation = $(14,000 \div 0.20) \times 0.10 = 7,000$ (3) Interest on borrowed fund = $(40,000 \times 15\%) \times 8.5 \div 12 = 4,250$. (4) As agriculture is the only source of income for Mr. Rahman, he is allowed to get Tk. 200,000 exemption in assessing his income.



INSURANCE COMPENSATION, CAPITAL GAIN, DISCARDED ASSETS

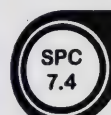
Income of Mr. Hossain for the current income year includes sale of jute 300 maunds @ Tk. 700 per maund; sale of rice 225 maunds @ Tk. 550 per maund; income from lease of agricultural land Tk. 48,000; income from ferry ghat Tk. 27,000; income from tea garden Tk. 80,000 and income from sale of honey Tk. 20,000. Expenses relating to these incomes were: cultivation costs Tk. 200,250; land revenue paid Tk. 9,000; union parishad tax Tk. 6,800; crop insurance premium Tk. 11,500; allowable depreciation Tk. 8,000; interest on mortgage loan Tk. 4,750; and maintenance costs for agricultural machineries Tk. 7,200. Mr. Hossain had a weighing machine which was purchased at Tk. 18,000. It has become obsolete and has been discarded at Tk. 9,500. At the time of sale, the written down value of the machine was Tk. 13,000. Moreover, he has also sold a tractor at a price of Tk. 42,000 (cost Tk. 40,000, accumulated depreciation Tk. 3,000). In addition to this he had a pump machine which was destroyed by fire and the insurance company compensated Tk. 10,000 (cost 20,000; accumulated depreciation Tk. 12,000, scrap Tk. 2,000). Compute taxable income for Mr. Hossain for the year.

Assessee: Hossain	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
1. Income from Agriculture (section 40)		
Revenue from agricultural sources (workings 1)		Tk. 456,750
Less: admissible expenses (workings 2)		251,000
2. Income from Business (section 45)		

Income from tea garden (80,000 × 40%)	
3. Capital gain (section 57)	32,000
Capital gain from tractor (note 1)	
4. Income from other sources (section 66)	2,000
Income from ferry ghat	
Total taxable income	27,000
	Tk. 266,750

Workings 1: Agricultural revenue	Workings 2: Admissible expenses
Sale of Jute (300 × 700)	Cultivation costs
Tk. 210,000	Tk. 200,250
Sale of Rice (225 × 550)	Land revenue paid
123,750	9,000
Lease of agricultural land	Union parishad tax
48,000	6,800
Tea garden income (80,000 × 60%)	Crop insurance premium
48,000	11,500
Sale of honey	Allowable depreciation
20,000	8,000
Gain on sale of tractor (note 1)	Interest on mortgage loan
3,000	4,750
Insurance compensation (note 2)	Irrigation plant maintenance
4,000	7,200
Total agricultural revenue	Loss on discarded machine (note 3)
Tk. 456,750	3,500
	Total admissible expenses
	Tk. 251,000

Notes: (1) Gain on sale of Tractor: Total gain = Sales price - WDV = Tk. 42,000 - Tk. 37,000 = Tk. 5,000; Capital gain = Sales price - cost = Tk. 42,000 - Tk. 40,000 = Tk. 2,000 (to be recorded under the head capital gain); Revenue gain = Cost - WDV = Tk. 40,000 - Tk. 37,000 = Tk. 3,000 (to be recorded under the head Agricultural income) (2) Gain/loss on insurance compensation = [Compensation & scrap value - WDV] = [Tk. 12,000 - Tk. 8,000] = Tk. 4,000 (gain). (3) Losses due to discard of weighing machinery: WDV of the machine Tk. 13,000 less Disposable price Tk. 9,500 = Tk. 3,500



SALE OF FOREST TREE, SALE OF FISH FROM POND, RUBBER GARDEN

Compute taxable income of Mr. Masum from the given particulars related to the current income year: sale of rice 205 maunds @ Tk. 675 per maund; income from barga Tk. 78,000; income from salt production Tk. 15,000; income from rubber garden Tk. 92,000; sale of forest tree Tk. 20,000; and income from sale of fish from pond Tk. 35,000. He didn't maintain the books of accounts properly but claimed some expenses relating to these: production costs Tk. 85,000; land revenue paid Tk. 8,000; interest on loan Tk. 2,300; union parishad tax Tk. 4,275; purchase of weighing machine Tk. 70,000; repair and maintenance cost of pump machine Tk. 3,000; maintenance of irrigation plant Tk. 12,000; and donation to co-operative society Tk. 6,000.

Assessee: Masum	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
1. Income from Agriculture (section 40)		
Revenue from agricultural sources (workings 1)		Tk. 271,575
Less: admissible expenses (workings 2)		116,145
2. Income from Business (section 45)		
Income from rubber garden (92,000 × 40%)		36,800

3. Income from other sources (section 66)
 Income from salt production
 Income from sale of forest tree
 Income from sale of fish from pond
 Total taxable income

Tk. 15,000	
20,000	
35,000	70,000
	Tk. 262,230

Workings 1: Agricultural revenue

Sale of Rice (205 × 675)	Tk. 138,375
Income from barga	78,000
Rubber garden income (92,000 × 60%)	55,200
Total agricultural revenue	Tk. 271,575

Workings 2: Admissible expenses

60% of MP (193,575 × 60%) (except barga income)	Tk. 116,145
Total admissible expenses	Tk. 116,145

SPC
7.5

PRODUCTION COSTS, PARTLY AGRICULTURAL INCOME

Considering the following particulars of Mr. Adib Ahsan, compute his taxable income for the current income year: sale of rice 250 maunds @ Tk. 600 per maund; sale of jute 100 maunds @ Tk. 400 per maund; sale of rabi crops Tk. 50,000; yearly lease of agricultural land Tk. 20,000; sale of forest timber and bamboo Tk. 6,000; income from tea garden Tk. 30,000; income from rubber garden Tk. 40,000; income from cattle rearing Tk. 3,000; income from sale of palm and date juice Tk. 6,000 and income from sale of honey Tk. 5,000.

Expenses for cultivation were as follows:

	Rice and Rabi crops	Jute
Cost of seeds and fertilizer	Tk. 25,000	Tk. 7,000
Labor charge	5,000	2,000
Cost of pump machine hire	3,000	1,000
Repair expense of agricultural equipment	500	
Transportation cost	2,000	500

When the income tax authority asked for books of accounts regarding cultivation expenses, Mr. Adib failed to provide proper records for Jute. Other related expenses for the year were: union parishad tax Tk. 2,000; land revenue Tk. 1,000; crop insurance premium Tk. 2,500; allowable depreciation Tk. 5,000; and maintenance cost of irrigation plant Tk. 4,000. He had a pump machine which was purchased at Tk. 25,000. It has become obsolete and has been discarded at Tk. 12,000. The written down value after charging depreciation as per ITA, 2023 prescribed rate estimated at Tk. 10,000. He has taken agricultural loan of Tk. 50,000 @ 8% interest per annum.

Assessee: Adib Ahsan	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
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1. Income from Agriculture (section 40)
 Revenue from agricultural sources (workings 1)
 Less: admissible expenses (workings 2)

Tk. 366,000	
78,000	Tk. 288,000

2. Income from Business (section 45)
 Income from tea garden (60,000 × 40%)
 Income from rubber garden (90,000 × 40%)
 3. Income from other sources (section 66)
 Sale of forest timber and bamboo
 Total taxable income

Tk. 24,000	
36,000	60,000
	6,000
	Tk. 354,000

Workings 1: Agricultural revenue

Sale of rice (250 × 600)	Tk. 150,000
Sale of Jute (100 × 400)	40,000
Sale of rabi crops	50,000
Yearly lease of agricultural land	20,000
Tea garden income (60,000 × 60%)	36,000
Rubber garden income (90,000 × 60%)	54,000
Income from cattle rearing	3,000
Sale of Palm and Date juice	6,000
Income from sale of honey	5,000
Gain on discarded equipment (note 1)	2,000
Total agricultural revenue	Tk. 366,000

Workings 2: Admissible expenses

Production expenses (note 2)	Tk. 59,500
Union parishad Tax	2,000
Land Revenue	1,000
Crop insurance premium	2,500
Allowable Depreciation	5,000
Irrigating plant maintenance	4,000
Interest on loan (50,000 × 8%)	4,000
Total admissible expenses	Tk. 78,000

Notes: (1) Gain from sale of obsolete equipment = sales - written down value = 12,000 - 10,000 = Tk. 2,000, (2) Production costs for rice & Rabi Crops: Cost of seeds & Fertilizer Tk. 25,000 + Labor charge Tk. 5,000 + Cost of pump machine hire Tk. 3,000 + Repair expenses of agricultural equip. Tk. 500 + transportation cost Tk. 2,000 = Total Tk. 35,500; and Production Costs for jute (40,000 × 60%) = Tk. 24,000. Total production costs = (35,500 + 24,000) = Tk. 59,500. Since accounts have not been maintained properly regarding jute cultivation, 60% of the sale proceeds have been considered as allowable production cost for jute.

SPC
7.6

ELDERLY CITIZEN, SALE OF TOBACCO & SUGAR CANE, AGRICULTURE IS THE ONLY INCOME SOURCE, CAPITAL ASSET REPLACEMENT, TAX COMPUTATION

Compute taxable income and tax liability of Mr. Jamir Ali, a 71-year-old farmer of Bhola District, from the following particulars related to the current income year assuming that his only source of income is agriculture. His incomes are from sale of paddy 200 maunds @ Tk. 400 per maund; sale of jute 150 maunds @ Tk. 600 per maund; rabi crops (sales Tk. 60,000 and self-consumption Tk. 10,000); income from agricultural cooperative society which was organized for farming Tk. 25,000; income from lease of agricultural land Tk. 200,000; income from Barga Tk. 225,000; income from sale of herbal or medicinal plants Tk. 30,000; income from lease of storehouse used for storing crops Tk. 20,000; income from sale of tobacco to BATC Tk. 20,000; income from sale of sugarcane to Government Sugar mill Tk. 35,000.

Mr. Jamir Ali had a pump machine which was purchased for Tk. 40,000. To acquire an advance technology in the irrigation plant he has sold the pump machine for Tk. 40,000. Accumulated depreciation of the pump machine was Tk. 18,000 at the time of

disposal. He also had a weighing machine which was purchased at Tk. 18,000. It has become obsolete due to a fire and the insurance company has given compensation of Tk. 8,500. At the time of fire, the written down value of the machine was Tk. 13,000 and after the fire the scrap value amounted to Tk. 1,000. He has also earned interest from Bank deposits Tk. 13,500 (net of TDS Tk. 1,500).

He maintained the books of accounts properly and claimed the following expenses: cultivation costs Tk. 200,000, land revenue paid Tk. 8,000, interest on loan Tk. 2,500, union parishad tax Tk. 4,000, purchase of tractor Tk. 70,000, maintenance of agricultural equipment Tk. 12,000, allowable depreciation Tk. 10,000. He spent Tk. 20,000 to travel India as a member of B1 Government sponsored agricultural Delegation Team in addition during the year Mr. Jamir Ali also incurred different movements and expenses, which includes family expenses Tk. 50,000, life insurance premium (policy value Tk. 200,000) Tk. 25,000, purchase of unlisted company's share Tk. 25,000, Donation to government's zakat fund Tk. 20,000, Tk. 6,000 to a local club, Tk. 30,000 to Government approved charitable hospital, and purchase of gold Tk. 27,000.

Assessment Year: 2024	2025	Income Year: 2023 - 2024
Assessee: Jamir Ali		
Particulars of Total Income		Section Amount
Income from agriculture (workings 1)	40	Tk. 823,000
Income from other sources (Bank interest)	62	15,000
Total income		838,000
Less: Exempted		200,000
Total income for tax purposes		Tk. 638,000
Tax computation and Payment		
Gross tax before tax rebate (workings 4)		Tk. 18,000
Less: Tax rebate (Schedule 5)		10,500
Net tax after tax rebate (a)		8,500
Minimum tax		5,000
Net amount payable (higher of (a) and (b))		8,500
Add Surcharge: Not taxable. Environmental Surcharge		-
Add interest, fee, or any other payment under ITA, 2023		-
Total Amount Payable		8,500
Less: Payment:		
a. Tax deducted or collected at source		Tk. 1,500
b. Advance tax paid		-
c. Adjustment of tax refund		-
d. Amount paid in return (balancing figure)		6,800
Total amount paid and adjusted (a - b + c - d)		8,500
Deficit or excess		Tk. -
Tax exempted income		Tk. 200,000

Schedule 5

Particulars of Investment Allowance

	Amount
1. Insurance premium: Own (max. 10% of the policy, i.e., 10% of Tk. 200,000)	Tk. 20,000
2. Donation to Government Zakat fund	20,000
3. Donation to Charitable Hospital	30,000
Total Investment Allowance	Tk. 70,000

Tax Rebate

A. 3% of total income*	(Tk. 623,000 @ 3%)	Tk. 18,690	Lower of
B. 15% on total investment allowance	(Tk. 70,000 @ 15%)	Tk. 10,500	A, B, and C.
C. Tk. 1,000,000		Tk. 1,000,000	i.e., Tk. 10,500

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings 1: Income from Agriculture

Revenue from agricultural sources (workings 2)

Less: admissible expenses (workings 3)	Tk. 1,083,000	Tk. 823,000
	260,000	

Workings 2: Agricultural revenue

Sale of Paddy (200 × 400)	Tk. 80,000	Workings 3: Admissible expenses	
Sale of Jute (150 × 600)	90,000	Cultivation costs	Tk. 200,000
Sale of Rabi Crops	60,000	Land revenue paid	8,000
Income from Co-operative Society	25,000	Interest on loan	2,500
Lease revenue of agricultural land	200,000	Union parishad tax	4,000
Income from Barga	225,000	Maintenance of agricultural Eq.	12,000
Sale of herbal or medicinal plants	30,000	Depreciation	10,000
Lease revenue from storehouse	20,000	Travel expense	20,000
Sale of tobacco to BATC	200,000	Loss of weighing machine (note 3)	3,500
Sale of sugarcane	135,000		
Gain from pump machine (note 3)	18,000		
Total agricultural revenue	Tk. 10,83,000	Total admissible expenses	Tk. 260,000

Workings 4: Computation of gross tax liability

	On first Tk. 400,000	On next Tk. 100,000	On next Tk. 138,000	Total (Tk.)
Rate	@ 0%	@ 5%	@ 10%	
Tax	-	5,000	13,800	18,800

Notes: (1) Since agricultural is the only income source, up to Tk. 260,000 is exempted from tax. (2) Cost of the machine is Tk. 40,000 with accumulated depreciation (at the time of sale) Tk. 18,000; therefore, written down value is Tk. 22,000; sale proceeds is Tk. 40,000; So, total gain (sale proceeds - written down value) i.e., Tk. 18,000; Capital gain is nil as sale proceeds is less than cost price. Gain to be considered as agricultural income = (Total gain - capital gain) i.e., Tk. 18,000. (3) Losses due to discard of weighing machinery: written down value Tk. 13,000 less scrap value Tk. 1,000 less compensation received Tk. 8,500 = Tk. 3,500. (4) As the machine is more than 65 years old, the minimum non-assessable limit is Tk. 400,000. (5) Self-consumption of rabi crops is not taxable.



TAX COMPUTATION, REVENUE SUBJECT TO REDUCED TAX RATE

Compute taxable income and tax liability of Mr. Taleb Ali, from for the current income year considering his income from the given sources:

- sale of paddy 1,000 maunds @ Tk. 400 per maund;
- sale of jute 500 maunds @ Tk. 600 per maund;
- sale of rabi crops Tk. 160,000;
- income from lease of agricultural land Tk. 100,000;
- income from frog farming Tk. 125,000;
- income from mushroom farming Tk. 130,000;
- income from sale of tea Tk. 200,000; and
- income from dairy farming Tk. 120,000.

He maintained the books of accounts properly and claimed expenses for production costs Tk. 200,000; land revenue paid Tk. 8,000; interest on loan Tk. 2,500; union parisdad tax Tk. 4,000; purchase of tractor Tk. 70,000; and maintenance of equipment Tk. 12,000. In addition, during the year Mr. Taleb Ali also incurred investments and expenses, which include family expenses Tk. 50,000; life Insurance premium (policy value Tk. 200,000) Tk. 25,000; purchase of cow for dairy farm Tk. 125,000; donation to prime minister's higher education fund Tk. 20,000; purchase of 5 year Bangladesh Savings Certificate Tk. 100,000; donation to Government Zakat fund Tk. 30,000; and purchase of gold Tk. 27,000.

Assessee: Taleb Ali	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Particulars of Total Income		Section Amount
Income from agriculture (workings 1)	40	Tk. 1,228,500
Income from business: sale of tea (200,000 × 40%)	45	80,000
Total income		Tk. 1,308,500
Tax computation and Payment		
Gross tax before tax rebate (workings 5)		Tk. 68,775
Less: Tax rebate (Schedule 5)		25,500
Net tax after tax rebate (a)		43,275
Minimum tax (b)		5,000
Net amount payable [higher of (a) and (b)]		43,275
Add: Surcharges -		
Net Wealth Surcharge	Tk.	-
Environmental Surcharge		-
Add: Interest, fine, or any other payment under ITA, 2023		-
Total Amount Payable		43,275
Less: Payments -		
a. Tax deducted or collected at source	Tk.	-
b. Advance tax paid		-

- c. Adjustment of tax refund
- d. Amount paid with return [Balancing Figure]

Total amount paid and adjusted (a + b + c + d)	43,275
Deficit or excess	Tk. 43,275
Tax exempted income	Tk. -

Schedule 5

Particulars of investment allowance

	Amount
1. Insurance premium: Own (max: 10% of the policy, i.e., 10% of Tk. 200,000)	Tk. 20,000
2. Donation to prime minister's higher education fund	20,000
3. Purchase of 5-year Bangladesh Savings Certificate	100,000
4. Donation to Government Zakat fund	30,000
Total Investment Allowance	Tk. 170,000

Tax Rebate

- A. 3% of total income* (Tk. 933,500* @ 3%)
- B. 15% on total investment allowance (Tk. 170,000 @ 15%)
- C. Tk. 1,000,000

Tk. 28,005	Lower of
Tk. 25,500	A, B, and C,
Tk. 1,000,000	i.e., Tk. 25,500

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable, i.e., Tk. 1,308,500 - Tk. 375,000 = Tk. 933,500

Workings 1: Income from Agriculture

Revenue from agricultural sources (Workings 2)

Add: Agricultural revenue subject to reduced tax rates (Workings 3)

Less: admissible expenses (Workings 4)

Tk. 1,080,000	
375,000	Tk. 1,228,500
(226,500)	

Workings 2: Agricultural revenue

Sale of Paddy (1,000 × 400)	Tk. 400,000
Sale of Jute (500 × 600)	300,000
Sale of Rabi Crops	160,000
Lease revenue of agricultural land	100,000
Sale of tea (200,000 × 60%)	120,000
Total agricultural revenue	Tk. 1,080,000

Workings 4: Admissible expenses

Production costs	Tk. 200,000
Land revenue paid	8,000
Interest on loan	2,500
Union parisdad tax	4,000
Maintenance of equipment	12,000
Total admissible expenses	Tk. 226,500

Workings 3: Revenue of reduced rate

Frog farming	Tk. 125,000
Mushroom farming	130,000
Dairy farming	120,000

Workings 5: Gross tax

On first	Tk. 350,000 @ 0%	Tk. Nil
On next	100,000 @ 5%	5,000
On next	400,000 @ 10%	40,000
On next	83,500 @ 15%	12,525

On income subject to reduced tax rate	375,000 @ 3%	11,250
Total	Tk. 1,308,500	Tk. 68,775

SPC
7.8

AGRICULTURAL INCOME SUBJECT TO REDUCED TAX RATE

Mr. Hatem Ali, a new entrepreneur, started his agricultural farming activities after passing from Bangladesh Agricultural University. He is very aware of the reduced rate of taxes for some typical nature of agricultural income and involved himself into those activities. During the current income year his agricultural incomes were: sale of pelleted poultry feed Tk. 200,000; sale of locally produced seeds Tk. 200,000; income from cattle farming Tk. 200,000; from Dairy farming Tk. 100,000; income from bee keeping Tk. 200,000; and from sale of flowers Tk. 800,000. He maintained the books of accounts properly and claimed Tk. 500,000 as admissible expenses. In addition, he has invested Tk. 200,000 in Dhaka Stock Exchange during the year through secondary market shares. Compute taxable income and tax liability of Mr. Hatem Ali.

Assessee: Hatem Ali	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Particulars of Total Income	Section	Amount
Income from agriculture (Workings 1)	40	Tk. 1,200,000
Total income		Tk. 1,200,000
Tax computation and Payment		
Gross tax before tax rebate (workings 2)		Tk. 50,000
Less: Tax rebate (Schedule 5)		50,000
Net tax after tax rebate (a)		5,000
Minimum tax (b)		50,000
Net amount payable [higher of (a) and (b)]		50,000
Add: Surcharges -		
Net Wealth Surcharge	Tk.	-
Environmental Surcharge		-
Add: Interest, fine, or any other payment under ITA, 2023		50,000
Total Amount Payable		50,000
Less: Payments-		
a. Tax deducted or collected at source	Tk.	-
b. Advance tax paid		-
c. Adjustment of tax refund		-
d. Amount paid with return [Balancing figure]		50,000
Total amount paid and adjusted (a + b + c + d)		Tk. 50,000
Deficit or excess		Tk. -
Tax exempted income		Tk. -
Schedule 5		
Particulars of investment allowance		Amount
Purchase of shares		Tk. 200,000
Total Investment Allowance		Tk. 200,000

Tax Rebate

A. 3% of total income*

B. 15% on total investment allowance

C. Tk. 1,000,000

(Tk. - * @ 3%)

(Tk. 200,000 @ 15%)

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable, i.e., Tk. zero as all the income are subject to reduced tax rate

Tk.	Lower of
Tk. 30,000	A, B, and C,
Tk. 1,000,000	i.e., Tk. -

Workings 1: Income from Agriculture

Sale of pelleted poultry feed

Sale of seeds

Income from cattle farming

Income from dairy farming

Income from bee keeping

Sale of flowers

Less: Admissible expenses

Tk. 200,000
200,000
200,000
100,000
200,000
800,000

Tk. 1,700,000
500,000

Tk. 1,200,000

Workings 2: Computation of gross tax liability [SRO No. 199-AIN/IT/2015 dated 01/07/2015]:

	On first Tk. 1,000,000	On next Tk. 200,000	Total Tk. 1,200,000
Rate	@ 3%	@ 10%	
Tax	Tk. 30,000	20,000	50,000

KEY POINTS

- ☐ Agricultural income means income generated by means of agricultural activities.
- ☐ Generation of income by granting a right to any person to use the land for any period is also an agricultural income.
- ☐ Gain on sale of machineries exclusively used for agricultural purpose is an agricultural income whereas loss from such sale is an admissible expense.
- ☐ If compensation money received against demolished machinery or plant exclusively used for agricultural purpose, then the compensation is also an income if compensation money cannot exceed the difference between original costs and the written down value less the scrap value.
- ☐ In case of partial agricultural income like, income from sale of tea, sale of rubber, 60% of the income is considered as income from agriculture, and rest of the 40% as income from business.
- ☐ When no books of account are maintained, 60% of the sales proceeds of agricultural produce will be allowed as the admissible expenses.
- ☐ Depreciation is an admissible expense as per the rates prescribed in 3rd schedule.
- ☐ Income from sale of produce that grow up in the forest without agricultural works is not an agricultural income.
- ☐ Royalty from mine lease, fish hunting, ship anchor are non-agricultural income.
- ☐ When agriculture is the only source of income, an assessee is allowed to get an exemption of a maximum amount of Tk. 200,000.

- DQ7.4 What expenses are admissible in the computation of agricultural income?
 DQ7.5 "Any income of a farmer is to be treated as agricultural income" – do you agree? Explain.
 DQ7.6 Discuss the provisions of set off and carry forward of losses of agricultural income.
 DQ7.7 What is meant by non-assessable agricultural income?
 DQ7.8 Write short note on: ☐ Partly agricultural income ☐ Production cost as an admissible expense
☐ Non-agricultural income ☐ Depreciation allowance

PROBLEM CASES (PC)

PC7.1: Compute taxable income for Mr. Moin considering (a) he did not keep (b) he kept necessary books of accounts. Particulars of income for Mr. Moin for the income year are: sale of paddy 80 maunds @ Tk. 500 per maund; sale of jute 120 maunds @ Tk. 800 per maund; production and self-consumption of vegetables Tk. 10,000; sale of tea Tk. 70,000; sale of rabi crops Tk. 87,000; and income from barga Tk. 10,000. Relevant expenses are: cost of seeds and fertilizer Tk. 35,000; cultivation costs Tk. 53,000; transportation costs Tk. 8,000; ordinary processing costs Tk. 9,000; land revenue paid Tk. 5,000; union parisdad tax Tk. 5,400; crop insurance premium Tk. 10,600; allowable depreciation Tk. 4,000; and interest on loan Tk. 3,800.

PC7.2: Mr. Rusho Rahman is a farmer whose only income is from agriculture. Particulars of Mr. Rusho Rahman for the year are sale of rice 110 maunds @ Tk. 650 per maund; sale of potato 400 maunds @ Tk. 165 per maund; income from borga Tk. 20,000; income from lease of agricultural land Tk. 30,000; and income from poultry farm Tk. 42,000. Expenses relating to these incomes are cost of seeds and fertilizer Tk. 30,700; labor charge Tk. 39,200; maintenance costs of agricultural equipment Tk. 1,800; union parisdad tax Tk. 3,900; crop insurance premium Tk. 6,800; and depreciation on tractor @ 20% Tk. 16,000. Mr. Rahman has borrowed Tk. 60,000 from Grameen Bank at an interest rate of 14% per annum as on January 01 of the current income year. Allowable depreciation for tractor as per third schedule of ITA, 2023 is at the rate of 10%. Compute taxable income for Mr. Rusho Rahman.

PC7.3: Particulars of Mr. Rahman for the year are: sale of jute 250 maunds @ Tk. 650 per maund; sale of rice 112 maunds @ Tk. 580 per maund; lease revenue from agricultural land Tk. 28,000; income from: ferry ghat Tk. 5,000, tea garden Tk. 80,000, rubber garden Tk. 100,000, and sale of honey Tk. 4,500. Expenses relating to these incomes are: land revenue paid Tk. 8,500; crop insurance premium Tk. 8,300; allowable depreciation Tk. 4,250; interest on mortgage loan Tk. 3,750; maintenance costs for irrigation plant Tk. 6,200; and union parisdad tax Tk. 5,450. Mr. Rahman had a weighing machine which was purchased at Tk. 10,500. It has become obsolete and has been discarded at Tk. 3,500. At the time of sale, the written down value of the machine was 5,200. When asking for proper books of accounts Mr. Rahman failed to provide any supporting documents for production costs although he claimed Tk. 195,720 as production costs. Compute taxable income for the year.

PC7.4: Compute taxable income of Mr. Ali from the given particulars: sale of rice 183 maunds @ Tk. 650 per maund; income from lease of agricultural land Tk. 28,000; income from salt production Tk. 18,000; income from rubber garden Tk. 67,000; income from sale of forest tree Tk. 32,000; and income from sale of fish from pond Tk. 24,000. Expenses for these incomes are: cultivation costs Tk. 67,000; land revenue paid Tk. 7,200; interest on loan Tk. 2,250; union parishad tax Tk. 3,300; purchase of tractor Tk. 85,000; development of a new irrigation channel Tk. 8,000; and donation to co-operative society Tk. 4,000.

PC7.5: Compute taxable income of Mr. Enamul for the current income year considering his income from: sale of rice 155 maunds @ Tk. 650 per maund; sale of jute 210 maunds @ Tk. 385 per maund; sale of rabi crops Tk. 87,500; yearly lease of agricultural land Tk. 25,500; sale of bamboo Tk. 3,200; income from tea garden Tk. 70,000; income from rubber garden Tk. 65,000; income from cattle rearing Tk. 4,400; income from sale of Palm Juice Tk. 8,700; and income from sale of honey Tk. 4,300.

Expenses for cultivation are as follows:

	Rice and Rabi crops	Jute
Cost of seeds and fertilizer	Tk. 28,000	Tk. 6,000
Labor charge	15,000	5,000
Cost of pump machine hire	2,700	1,300
Repair expense of agri equipments	1,200	-
Transportation expenses	1,800	700

When the income tax authority ask for books of accounts regarding cultivation expenses, Mr. Enamul failed to provide proper records for rice and rabi crops. His other expenses are: union parishad tax Tk. 3,500; land revenue Tk. 1,200; crop insurance premium Tk. 4,500; allowable depreciation Tk. 4,800; maintenance cost of irrigation plant Tk. 3,750. He had a pump machine which was purchased at Tk. 32,000. It has become obsolete and has been discarded at Tk. 8,000. The written down value after charging depreciation at ITO prescribed rate estimated at Tk. 8,500. He has taken agricultural loan Tk. 45,000 @ 8% interest per annum.

PC7.6: Compute taxable income and tax liability of Mr. Athar Ali, a 67 years old farmer, from the particulars related to the current income year as follows: sale of paddy 200 maunds @ Tk. 400 per maund; sale of jute 150 maunds @ Tk. 600 per maund; sale of rabi crops Tk. 60,000; income from agricultural co-operative society which was organized for farming Tk. 25,000; income from lease of agricultural land Tk. 100,000; income from Barga Tk. 125,000; income from sale of herbal or medicinal plants Tk. 30,000; income from lease of storehouse used for storing crops Tk. 20,000; income from sale of flower Tk. 20,000; income from sale of sugar cane Tk. 35,000; and income from sale of tea Tk. 20,000. Mr. Athar Ali had a pump machine which was purchased for Tk. 40,000. To acquire an advance technology in the irrigation plant he has sold the pump machine for Tk. 42,000. At the time of sale the amount of accumulated depreciation of the pump machine was Tk. 18,000.

Moreover, he also had a weighing machine which was purchased at Tk. 18,000. It has become obsolete and has been discarded at Tk. 9,500. At the time of sale the written down value of the machine was Tk. 13,000. He didn't maintain the books of accounts properly. Expenses claimed by him are: cultivation costs Tk. 200,000; land revenue paid Tk. 8,000; interest on loan Tk. 2,500; union parishad tax Tk. 4,000; installation of irrigation plant Tk. 70,000; maintenance of the irrigation plant Tk. 12,000. In addition, during the year Mr. Athar Ali also incurred the investments and expenses for: family expenses Tk. 50,000; life insurance premium (policy value Tk. 300,000) Tk. 25,000; purchase of debenture from primary market Tk. 25,000; donation to Lab Aid Hospital Tk. 20,000; donation to a local mosque Tk. 6,000; donation to Government Zakat fund Tk. 30,000; and purchase of furniture Tk. 27,000.

PC7.7: Mr. Farhad, a new entrepreneur, started his agricultural firming activities after passing from Bangladesh Agricultural University. He is very aware of the reduced rate of taxes for some typical nature of agricultural income and involved himself into those activities. During the current income year his agricultural incomes were: from poultry firm Tk. 30,00,000; from hatchery Tk. 25,00,000. He maintained the books of accounts properly and claimed Tk. 25,00,000 as admissible expenses. During the year, he has invested Tk. 10,00,000 in 5-year Bangladesh Savings Certificate. Compute taxable income and tax liability of Mr. Farhad.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10		TRUE/FALSE
a	b	c	d	a	b	b	b	b	d		1 2 3 4 5
											F F T F F

SELF - REVIEW 7.1

Cost of the machine	: Tk. 80,000
Written down value	: Tk. 55,000
Sales proceeds	: Tk. 63,000
Total gain	: Tk. 8,000 (agricultural income as there is no capital gain)

SELF - REVIEW 7.2

Sales	(a) Tk. 60,000	(b) Tk. 60,000
Less: admissible expenses	Tk. 36,000	Tk. 40,000
Admissible (note)	36,000	40,000
Taxable income	Tk. 24,000	Tk. 20,000

Note: For (a) $60,000 \times 60\% = \text{Tk. } 36,000$; for (b) cost of seeds Tk. 15,000 + labor cost Tk. 18,000 + transportation cost Tk. 3,000 + ordinary processing cost Tk. 4,000 = Tk. 40,000.

8

Income from Business

"The purpose of a tax cut is to leave more money where it belongs: in the hands of the working men and working women who earned it in the first place."
— Bob Dole

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

- CLO 8.1 understand the concept of business
- CLO 8.2 identify the scope of income from business
- CLO 8.3 determine inadmissible expenses
- CLO 8.4 recognize non-business income
- CLO 8.5 apply method of accounting
- CLO 8.6 list admissible expenses
- CLO 8.7 recall rebate on allowable investments
- CLO 8.8 compute tax liability on business income

KEY TERMS

Business, expenses, allowance, charge, business, income

Admissible inadmissible Depreciation Balancing Speculation non-business

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and different components from four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.

Dimensions		Knowledge				
Cognitive process		Factual	Conceptual	Procedural	Metacognitive	
	Remember	List	Recognize	Recall	Identify	
	Understand	Summarize	Classify	Clarify	Predict	
	Apply	Respond	Provide	Carry out	Use	
	Analyze	Select	Differentiate	Integrate	Deconstruct	
	Evaluate	Select	Determine	Judge	Reflect	
	Create	Generate	Assemble	Design	Create	

8.1

CLO

8.1

INTRODUCTION

Income from business is the fourth head of income out of seven as per section 30 of Income Tax Act (ITA) 2023. This is the most complex income head and is of paramount importance to the tax authority as most of the taxes (in terms of volume) are collected from this head. Here, the authors have tried to simplify the complex issue for the readers to make it more informative and interesting.

8.2

CLO

8.1

8.2

MEANING OF BUSINESS

ITA 2023 has modified the definition of business which has increased the scope of business significantly. In line with section 2(70), business is defined to include –

- any trade, commerce or production of goods;
- undertaking any risk or endeavor in the nature of any trade, commerce or production of goods;
- exchange of goods or services of any for profit or not-for-profit entity;
- any profession or vocation.

To regard an activity as a business, there must be a course of dealings, either actually continued or contemplated to be continued with a profit motive and not for sport or pleasure. It is not necessary that business should always consist of activities of trade, commerce, or manufacture. Even activities of rendering services to others fall within the four corners of the expression, business. It also covers every facet of an occupation carried on continuously and systematically by a person by the application of his labor and skill with a view to earning profit. Rather defining profession separately, ITA 2023 includes profession within the definition of business. Thus, the definition of business being an inclusive definition and not being exhaustive is indicative of extension and expansion and not restriction.

Meaning of Permanent Establishment

Permanent establishment, in relation to income from business, means a place or activity through which the business of a person is wholly or partly carried on, and includes –

- (i) a place of management
- (ii) a branch
- (iii) an agency
- (iv) an office
- (v) a warehouse
- (vi) a factory
- (vii) a workshop
- (viii) a farm or plantation
- (ix) a mine, oil or gas well, quarry/any place of exploration, exploitation/extraction of natural resources
- (x) a building site, a construction, assembly or installation project or supervisory activities in this regard
- (xi) the furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purpose, if activities of that nature continue (for the same or a connected project) in Bangladesh and
- (xii) any associated entity or person (hereinafter referred to as "Person A") that is commercially dependent on a non-resident person where the associated entity or Person A carries out any sale activity in Bangladesh by the non-resident person [section 2(92)].

EXHIBIT

8.1

Explanation of the term 'Business'

- **Business includes trade:** The term 'trade' is defined by the Shorter Oxford English Dictionary as "the practice of some occupation, business or profession habitually carried on, especially when it is practiced as a means of livelihood or gain". In general, trade implies buying goods and selling them to make profit.
- **Business includes commerce:** If a person purchases goods with a view to sell them at profit, it is an ordinary case of trade. But for commerce transactions are repeated on a large scale.
- **Business includes manufacture:** The word "manufacture" is defined by the Oxford English Dictionary as "making of articles or materials by physical labor or mechanical power. Manufacture is a process which results in an alteration or change in goods which are subjected to such manufacture. In a manufacturing process raw materials are purchased and processed to get the final consumable products."
- **Business includes adventure or concern in the nature of trade, commerce or manufacture:** The word 'business' in its commercial sense implies an element of continuity. But the income-tax law does not require any series of transactions to constitute business. Even a single and isolated transaction may fall within the definition of business as being an adventure in the nature of trade, provided the transaction bears clear indication of trade. A transaction can be termed as an adventure in the nature of trade, commerce or manufacture if some elements of trade or business are present therein and not necessarily all elements be present. A single plunge may be enough, provided it is clearly demonstrated that the plunge is made in the water of trade, like, research & development, new product development, etc.

8.3

CLO
8.2
8.4

SCOPE OF BUSINESS INCOME

The following income of an assessee shall be classified and computed under the head 'income from business'.

Under Section 45

- ☐ Profits and gains of any business carried on, or deemed to be carried on, by the assessee at any time during the income year;
- ☐ Income derived from any trade or professional association or other association of like nature on account of specific services performed for its members;
- ☐ Fair Market Value of any benefit, whether convertible into money or not, arising as a consequence of any person's past, present or prospective future business relationship;
- ☐ Any management fee arising from any management company including Mudaraba management company;
- ☐ Any money received from bank, insurance, and financial institutions due to lease of own or others' properties leased to another person;
- ☐ Realized gain from exchange of foreign currency subject to Third Schedule;
- ☐ Any income received during the income year from a discontinued business.

Under Section 46

- ☐ **Sale of Asset used for Business:** If assets used for the business, whose income is calculated, has been sold, gain on sale of such assets shall be computed as below:

Chapter - 8 Income from Business or Profession

- If sales proceed is higher than cost of acquisition:
 - Income from Capital Gain = Sale Proceeds - Cost of Acquisition
 - Income from Business = Cost of Acquisition - Written Down Value
- If sales proceed is not higher than cost of acquisition, but higher than written down value: Income from Business = Sale Proceeds - Written Down Value

However, if any asset listed in Third Schedule has been sold during the income year where sale proceeds result less than written down value, the difference between written down value and sale proceeds will be deductible [U/s 50(2)].

- ☐ **Compensation Received against Asset used for Business:** If any assets used for the business, whose income is calculated, has been demolished, destroyed or discarded and insurance compensation received which exceeds the written down value of such assets, income will be calculated as below:

- If compensation received is higher than cost of acquisition:
 - Capital Gain = Compensation received - Cost of Acquisition
 - Income from Business = Cost of Acquisition - Written Down Value
- If compensation received is not higher than cost of acquisition, but higher than written down value (WDV):
 - When compensation received > WDV, the difference between compensation received and WDV will be reported as business income.
 - When compensation received < WDV, the difference between WDV and compensation received will be reported as allowable deductions under section 49 while calculating income from business.

- ☐ **Income from transfer of Export Quota:** If any exporter transfers his export quota (in part or full) to any person, the proportionate export value against such quota transferred will be counted as income from business.

- ☐ **Benefits Received against Trading Liability:** If trading liability is taken and considered while calculating taxable income of any taxpayer in any income year, and if such trading liability generates any benefit, the monetary value of such benefit should be considered as the income in the year of such receipt. If any trading liability (part or full) has not been paid in three (3) years after the deduction made in this respect, such amount be deemed to be the income during the year immediately following the expiry of the said three (3) years. However, any such trading liability which has been considered as income and ultimately paid in a subsequent year, it should be excluded while calculating income of the year when it is actually paid.

- ☐ **Recovery of Loss, Bad Debt or Expenses:** If any loss, bad debt or expenses has been deducted while calculating income under this head and recovered such loss, bad debt or expenses in a subsequent year, the taxpayer should consider such benefit as income during the income year when such benefit is received.

- ☐ **Shortage of Opening Capital:** If return is submitted under section 180 (Self-assessment), any shortage of opening capital within five years from the income year with reference to which return is submitted, shall be considered as income under the head 'income from business'.
- ☐ **Interest on Bad or Doubtful Debt of Classified Loan:** While calculating taxable income of financial institutions, interest income or profit on bad or doubtful debt on Bangladesh Bank classified loan will be considered as taxable income in the year it is credited to profit and loss account or in the year of actual receipt, whichever comes earlier.

Under Section 47

Taxable income of few businesses will be computed as per the following schedules:

Fourth Schedule: Insurance Business

Fifth Schedule: Natural Gas, Extraction and Exploration of Mineral Oil or Other Minerals

Under Section 48

If any person runs a speculation business, such business shall be considered as separate and independent from other businesses run by the person.

EXHIBIT

8.2

Scope of Business Income

Case 1: Suppose, a machine was sold at Tk. 80,000 with a written down value of Tk. 50,000 and was originally purchased at Tk. 70,000. In this case, the total gain on sale will be Tk. 30,000 (sale proceeds minus WDV). Now, can this gain be shown as balancing charge? As per rule, balancing charge must not exceed Tk. 20,000 (original cost minus WDV).

Hence, total gain of Tk. 30,000 will be distributed as Tk. 10,000 as capital gain (Sale Proceeds minus Original Cost) and Tk. 20,000 as balancing charge (Sale Proceeds minus WDV). So balancing charge is the revenue gain that can be shown as income under this head. Whereas, capital gain will be shown under the head of capital gain. In this case, if the machine was sold less than the original cost, say, at Tk. 60,000, there will be no capital gain. The balancing charge in this case would be Tk. 10,000 (Tk. 60,000 - Tk. 50,000) only.

Case 2: Suppose a machine with Tk. 70,000 original cost and Tk. 50,000 written down value is totally destroyed by fire against which there is an active insurance policy. If Tk. 60,000 can be recovered from the insurance company, then balancing charge will be Tk. 10,000 (Recoverable value minus WDV) which must not exceed Tk. 20,000 (Original Cost minus WDV).

In such case, there is no chance of having capital gain. But the maximum amount of balancing charge will further be reduced, if any money can be recovered through scrapping. If, in this situation, the burnt machine can be sold in the market as a scrap value of Tk. 2,000, maximum amount for balancing charge will be Tk. 18,000 (Original Cost minus WDV minus Scrap Value)

8.4

CLO
8.3
8.6

ALLOWABLE DEDUCTIONS/ADMISSIBLE EXPENSES

ITA 2023 provides various expenses which are allowable for deductions for each independent and separate businesses subject to the provisions of the act. Allowable deductions are listed with reference to different sections and category as provided in ITA 2023 below:

General Deductions [Under Section 49]

- ☐ Raw materials, stores, purchases of goods for business or use in business, and inventory write-off;
- ☐ Duties and taxes, municipal taxes, local taxes, land development taxes, ground rent and government fee paid for business purpose which is not paid with reference to ITA 2023 or Gift Tax Act 1990;
- ☐ Rents, development and maintenance expenses payable against the land and yard used for business purpose;
- ☐ Any expenses, welfare expenses or wages paid which is considered as salary expenses under ITA 2023;
- ☐ Repair and maintenance expenses;
- ☐ Insurance premium
- ☐ Power and fuel
- ☐ Transportation of goods, clearing and forwarding charges
- ☐ Sales commission, brokerage, discount and warranty expenses
- ☐ Advertisement and promotional expenses
- ☐ Training expenses for staffs
- ☐ Expenses for conference, hotel and accommodation of sales representatives
- ☐ Transportation and travelling expenses
- ☐ Expenses for internet, postage and telecommunication services
- ☐ Expenses for various professional services like legal fees, audit fees etc.
- ☐ Entertainment expenses
- ☐ Realized losses due to the exchange of foreign currencies subject to the provisions of Third Schedule
- ☐ Entry and other fees paid to any club or commercial committees
- ☐ Expenses relating to foreign tour participated as a member of trade delegation sponsored by the government
- ☐ Royalty, technical services fees and head office expenses
- ☐ Funds paid to Participation Fund, Welfare Fund established under section 234(1)(b) of Labor Act 2006, and Workers Welfare Foundation Fund established under section 14 of Bangladesh Workers Welfare Foundation Act, 2006 which shouldn't be more than 5% of disclosed net business profit
- ☐ Any other expenses incurred solely and completely for business,

Special Deductions [Under Section 50, 51, 52 & 53]

As per the provisions mentioned in Third Schedule, the following allowances will be deductible:

Depreciation is not allowable on any asset if such asset is not reported as asset used for business in the return submitted by the taxpayer for the income year. Total depreciation charged against any asset should not be more than the cost of the asset. Depreciation on leased asset should be charged against lease rental for that asset. According to the 3rd Schedule of ITA, 2023 two bases are used for depreciation:

Normal Depreciation Allowance	Base: Written Down Value
Initial Depreciation Allowance	
Accelerated Depreciation Allowance	Base: Original Cost

- ☐ **Written Down Value:** WDV of an asset will be calculated as: [Para 8(6), 3rd Sch]:
 - If the asset is acquired in an income year, the written down value will be the original cost of the asset as reduced by any allowable initial allowance.
 - If the asset was acquired at an earlier period, the written down value will be the actual cost thereof to the assessee as reduced by the aggregate of the allowances for depreciation allowed so far.
- ☐ **Actual Costs:** With reference to Para 3, Third Schedule, the rules for calculating cost of acquisition of assets are explained below:
 - In the case of motor vehicles, the actual cost to the assessee shall be deemed not to exceed thirty lacs taka if the motor vehicle is used as passenger vehicles plying for hire other than serving students of educational institutions, teachers and staffs of the taxpayer's organization.
 - Any grant, subsidy, rebate or commission and the value of any assistance received by an assessee from government or any other authorities or persons and any deduction or allowance admissible (other than loan with or without interest) shall be excluded to compute actual cost.
 - Where the asset is acquired as a used one from its previous owner, the cost deemed not to exceed the fair market value as on the acquisition date.
 - When the acquisition of asset is connected with loan taken in foreign currency or foreign currency is involved anyway, the following issues need to be adjusted before calculating cost of acquisition:
 - Add losses for exchange rate or expenses for hedging of exchange rate
 - Excluding gains due to change in exchange rate

Types of Depreciation Allowance

There are three different types of depreciation allowance (ITA 3rd Schedule), namely: normal, initial, and accelerated depreciation allowances.

Normal Depreciation Allowance (as per Para 4, 3rd Schedule)

The allowance for normal depreciation shall be computed @ specified in Para 4, 3rd Schedule that may be amended by the Board, from time to time, by notification in the official gazette, for the assessee's assets and used only for business purpose.

EXHIBIT

8.3

Rates of Normal Depreciation

[Source: Para 4, Third Schedule, IT Act, 2023]

- Asset Category 1 - Building: General building @ 5% on WDV and Factory building @ 10% on WDV
 Asset Category 2 - Office equipment @ 10% on WDV
 Asset Category 3 - Furniture and fittings @ 10% on WDV
 Asset Category 4 - Machinery and plant: general rate is 10% on WDV. However, special rate is applicable for the followings specific assets:

Ships	@ 5% on WDV
Ocean going ships (new)	@ 10% on WDV
Ocean going ships (second hand), less than 10 years age at the time of purchase	@ 20% on WDV
Ocean going ships (second hand), 10 years or more age at the time of purchase	@ 25% on WDV
Professional and reference books	
Aircraft, aero-engines and aerial photographic apparatus; Moulds used to manufacture of glass or plastic goods or concrete pipe.	@ 30% On WDV
Mineral oil concerns	@ 100% on WDV
Below ground installations;	@ 25% on WDV
Above ground installation portable boilers/drilling tools/well head tanks and rigs.	
Physical infrastructure undertaking	@ 2% on WDV
Bridge/Road/ Fly over	@ 2.5% on WDV
Pavement runway, taxiway, apron, tarmac	@ 10% on WDV
Boarding bridge	@ 5% on WDV
Communication, Navigation aid and other equipment	
Others	
X-Ray and electro-therapeutic apparatus and accessories thereto; Machinery used in the production and exhibition of cinematographic films;	@ 20% on WDV
Battery run apparatus and rechargeable batteries	@ 30% On WDV
Motor vehicles of all sorts not plying for hire;	@ 10% On WDV
Motor vehicles of all sorts plying for hire.	@ 20% on WDV
Computer hardware including monitor, printer & related items	@ 25% on WDV
Other Physical Assets not mentioned in the schedule	@ 10% on WDV

Initial Depreciation Allowance (as per Para 5, 3rd Schedule)

Where any building has been newly constructed or any machinery or plant has been used in Bangladesh for the first time, an amount by way of initial depreciation allowance in respect of the year of construction or installation or the year in which such building, machinery or plant is used by the assessee for the first time for the purpose of his business or the year in which commercial production is commenced, whichever is the later, shall be allowed at the following rates of the cost thereof to the assessee.

- | | |
|---|-------|
| For building | : 10% |
| For machinery or plant except ships or motor vehicles plying for hire | : 25% |

Initial depreciation allowance will not be applicable for (a) such motor vehicles not plying for hire and (b) such machineries and plant already used in Bangladesh.

Accelerated Depreciation Allowance [as per Para 6, 3rd Schedule]

Accelerated depreciation means charging depreciation at a higher rate from the very beginning. It was first introduced in 1982 for 5 years thereafter, and then extended for further years and through different Finance Acts. As per the provision of Third Schedule (Para 6) of Income Tax Act 2023, accelerated depreciation will be allowed for the first three years from the year of commercial production at following rates on cost of the asset subject to other terms and conditions as specified:

First Income Year	: 50%
Second Income Year	: 30%
Third Income Year	: 20%

Terms and Conditions

- ☐ It is allowed for first three years from the start of commercial production.
- ☐ Asset be owned by the industry and has not been used in Bangladesh before.
- ☐ Ownership and management of the industry is management by a body corporate which is created by an act whose head office is situated in Bangladesh. It is management by a company as defined by Company Act 1994 whose registered office is situated in Bangladesh and whose authorized and paid up capital is at least 20 lacs taka at the time of starting the commercial production.
- ☐ Industry owns a TIN, keeps records independently and separately and as the rules specified in ITA 2023, and submits return following the rules of ITA 2023
- ☐ Before the end of six months from the date of starting commercial production, the industry must apply to the Board in specified form and method to use accelerated depreciation allowance.
- ☐ The application shall mention that this asset has not received any tax exemption under this act, and it will not apply to Board for such exemption in future.
- ☐ Assets enjoining accelerated depreciation allowance in any income year, it is not entitled to enjoy normal or initial depreciation allowance under any other provisions of this act.

Limitation in Respect of Depreciation Allowance (Para 7, 3rd Schedule)

Total of depreciation allowance, in no case, will be higher than the original cost. If the full amount of depreciation allowance cannot be charged due to insufficient profit, it may be set off against profits from any other business; if the allowance is not fully absorbed, it can further be set off from the income of other heads in the same income year. If any asset is sold or transferred in an income year by the taxpayer, depreciation allowance cannot be claimed against such asset in the year the asset is transferred or sold [Para 7, Third Schedule].

Even if some amount is left unabsorbed, it may be carried forward to the following years for setting off against profits. In case of insufficient profits, the allowance should be charged, as it will turn the result as losses that can be carried forward for six consecutive years only whereas unabsorbed depreciation allowance can be carried forward for an indefinite time till the full amount is absorbed.

8.6

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8.3
8.6**AMORTIZATION ALLOWANCE [SEC 50(1) & 3RD SCH.]**

Third Schedule, Part 2 prescribes that amortization allowance on specified items should be calculated following the straight-line method.

License Fees

License fee is spectrum assignment fees paid by a cellular mobile phone operator, or any other license fee paid by any other company engaged in providing specialized services, if such license is integral to the operation of the company. Where a resident company taxpayer paid any license fees for obtaining a permission from any authority approved by government to run a business for two or more years, the assessee shall be allowed a deduction of an amount proportionate to such years and such deduction shall continue till the last year of the period for which the license was granted.

Example: A Cellular Mobile Phone Company operating in Bangladesh has paid Tk. 344 crore as license fee to BTRC for 15 years covering a period from 20/12/2005 to 20/12/2020. The company can deduct an amount proportionate to such years (1/15 of 344 crore = Tk. 22,26,66,666) as amortization expense of license fees for every year to the assessment year in which the license period will expire.

Preliminary Expenses

Preliminary expenses refer to all such expenses incurred during the years before the starting of commercial production of any business which is not allowable under any provision of Third Schedule. Such expenses include expenses incurred for feasibility study, production of model or prototype, and expenses for trial production which should not be more than the actual cost. And if it is allowed before, it will not be allowed again. Amortization rate for preliminary expenses is 20%.

Research and Development Expenses

Research and development mean systematic, investigative and experimental study which - a) includes innovative and technological risk, b) is science and technology related, c) is directed to acquire new knowledge, or d) is directed to study the development of production or elements, machineries, goods, agricultural produce, or process. It shall be amortize @ 10% and shall not include the following -

- ☐ Elements, machineries, or quality control of product or routine testing;
- ☐ Research in the field of arts and humanity and social science;
- ☐ Financial documents or creation and development of financial products;
- ☐ Market research or sale promotion, routine data collection, efficiency survey or management study;
- ☐ Elements, machineries, products, process or routine change in production method
- ☐ Elements, machineries, products, process or minor cosmetic change in production method or style change in production
- ☐ Creation or development of trademark or goodwill.

Computer Software and Application

Amortization rate for usable computer software and application will be allowable as per the rules explained below:

- ☐ Any software or application prepared in Bangladesh - @ 20%
- ☐ Any software or application prepared outside Bangladesh - @ 10%

Disallowed Expenses

If any expenses claimed by the taxpayer as deduction during tax liability calculation under this act are disallowed due to capital expenditure, such expenditure of taxpayer will be allowed for deduction as amortization allowance in following years @ 10%.

8.7

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8.6**BAD DEBT EXPENSES [SECTION 51]**

Bad debt expenses will be allowable for deduction under section 51 of ITA 2023 as per the rules mentioned below:

For Organizations other than Banks and Financial Institutions

- ☐ Bad debt or a part thereof will be allowable for deduction if it is decided as uncollectible and written-off in the books of accounts.
- ☐ Logical actions have been taken to collect bad debt prior to write-off.
- ☐ Bad debt or a part thereof has been considered as income in any year while calculating income.

For Banks and Financial Institutions

- ☐ Bad debt or a part thereof will be allowable for deduction if it is decided as uncollectible as per International Accounting Standards and Banks and Financial Institutions in operation in Bangladesh and written-off in the books of accounts as uncollectible.
- ☐ Logical actions have been taken to collect bad debt prior to write-off.
- ☐ Bad debt or a part thereof has been considered as income in any year while calculating income.

EXHIBIT

8.4

Rates of Amortization Allowance

[Source: Part 2, Third Schedule, IT Act, 2023]

	Amortization Rate	
	In proportion to Years	
• License Fees		20%
• Preliminary Expenses		10%
• Research and Development Expenses		20%
• Software and application prepared in Bangladesh		10%
• Software and application prepared outside Bangladesh		10%
• Any capital expenditure disallowed for deduction		10%

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INTEREST EXPENSE OR PROFIT [SECTIONS 52 & 53]

Interest paid or profit distributed on capital borrowed for the business will be allowable for deductions as business expense. However, if a part of the borrowed capital has been used for outside the business or the asset purchased by borrowed capital has been transferred somewhere which is unrelated to borrower's business, interest expense or distributed profit will be allowable for deductions in proportion to the portion of such assets used for business. Upto Tk. 15,00,000 of interest expenses paid in any income year, there will be no specific requirements to comply with. However, if interest expense charged by a resident person (other than bank and financial institutions) to an associated company as defined in section 233 exceeds Tk. 15,00,000 in an income year, it should follow the process specified by the board.

8.9

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GENERAL CONDITIONS FOR ALLOWABLE DEDUCTIONS

If any expenses allowable for deduction in a particular income year under the provisions of ITA 2023 which is related to any asset fully or partly, no further deductions related to that particular asset will be allowable for deductions in that particular income year. At the time of allowing any deductions under section 49, the commercial rationality of such expenses will be taken into consideration. The consideration of commercial rationality will be guided by –

- ☐ The expenses are incurred to generate business income,
- ☐ The expenses are related to the nature of fiscal management, and
- ☐ The expenses are logical under the related conditions.

Admissible Business Losses

It is obvious that business profit cannot be computed without allowing a business loss. A trading loss of business is deductible in computing the profit earned by the business even though there is no specific provision in the Act for allowance thereof. Business losses can be allowed as deduction only if the following conditions are satisfied:

- Condition 1 Losses should be revenue in nature.
- Condition 2 Losses should be incurred during the income year.
- Condition 3 Losses should be incidental to the business.
- Condition 4 It should not be notional or fictitious.
- Condition 5 It should have been actually incurred and not anticipated to incur.
- Condition 6 No restriction under the Act against the deductibility of such loss.

Losses listed below are incidental to business and are deductible in computing income chargeable under the head 'Income from Business'. It is worthy to note that, where an assessee seeks to deduct from his business profits certain losses, the onus of proving that such loss occurred, falls on him.

- ☐ Loss of stock-in-trade by enemy action, or arising under similar circumstances;
- ☐ Loss of stock-in-trade by fire and other natural calamities or due to an act of God;

- ☐ Loss arising for failure on the part of the assessee to accept delivery of goods;
- ☐ Depreciation in funds kept in foreign country for purchase of stock-in-trade;
- ☐ Loss for exchange rate fluctuations of foreign currency held on revenue account;
- ☐ Loss arising from sale of securities held in the regular course of business;
- ☐ Loss of cash and securities in a banking company on account of burglary (may be after banking hours);
- ☐ Loss incurred on realization of amount advanced in connection with business;
- ☐ Loss of security deposited for the purposes of acquisition of stock-in-trade;
- ☐ Loss caused due to breach of contract for delivery of goods by either party;
- ☐ Loss on account of embezzlement by an employee;
- ☐ Loss caused due to forfeiture of a deposit made by the assessee for properly carrying out of contract for supply of commodities;
- ☐ Loss incurred due to theft or burglary in factory premises during working hours;
- ☐ Loss of raw material, finished goods in transit;
- ☐ Loss arising from negligence or dishonesty of employees;
- ☐ Loss incurred on account of insolvency of banker with which current account is maintained by the assessee;
- ☐ Loss incurred due to freezing of the stock-in-trade by enemy action;
- ☐ Loss incurred by a sugar manufacturing company by foregoing advance made to sugarcane growers who used to sell sugarcane crop exclusively to the company;
- ☐ Loss for non-recovery of advances given by the assessee-company (engaged in the business of financing its subsidiaries) to its 100 percent subsidiary company;
- ☐ Loss incurred by a holding company which has guaranteed a loan taken by its subsidiary company.

Other Admissible Expenses under Accounting Principles

Section 49 of ITA, 2023 deals with specific issues regarding allowable deductions where the practitioners may have chance to charge wrong amount as deductions if there is no specific provisions or guidelines over those issues. Apart from the issues discussed, there may be a lot of other expenses incurred by the assessee to continue his business. In those cases, general accounting principles will be applied to decide whether the expense is deductible or not. These expenses may also be discussed in terms of *Residuary or Omnibus Clause*. Some of such expenses are listed below:

- ☐ Revenue expenditure on publicity, campaign and advertisement;
- ☐ Accounting and audit fees;
- ☐ Compensation to employees or directions due to dismissal, suspense;
- ☐ Compensation to an employee for injury or accident met while on duty;
- ☐ Litigation expenses/legal fees incurred in partnership for validating the contract or for protecting interest of the business;
- ☐ Employers' contribution to provident, gratuity and superannuation fund;
- ☐ Perquisites or leave allowance given to employees;
- ☐ Royalty paid against patent or copyright;
- ☐ Telephone and telegraph expenses;
- ☒ Incentives given to employees to motivate to produce or work more;

- ☐ Production, transportation and marketing expenses of inventories;
- ☐ Renewal fees of licenses;
- ☐ Expenses incurred in defending a case for damages for breach of contract;
- ☐ Any sort of legal fees incurred for the sake of business or profession;
- ☐ Expenditures incurred to alter articles or memorandum of association;
- ☐ Commission for securing orders, getting tenders, retaining customers;
- ☐ Sales tax, VAT, water & road tax, municipal tax, excise duty, customs duty etc.;
- ☐ Expenses incurred in defending the assessee's title over his assets;
- ☐ Welfare expenditure incurred for employees;
- ☐ Traveling expense of the directors for business purpose;
- ☐ Gift to employees;
- ☐ Brokerage paid for raising loan to finance business;
- ☐ Stamp and registration charges for agreement to obtain overdraft facilities;
- ☐ Commission paid to selling agents;
- ☐ Contribution to a trade syndicate to preventing uneconomic competition;
- ☐ Periodical payment for the use of goodwill;
- ☐ Annual listings fees paid to stock exchanges;
- ☐ Expenses to secure the termination of a disadvantageous trade liability etc.

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INADMISSIBLE EXPENSES [SECTION 55]

As per Sec 55 some expenses are disallowed for deductions explicitly as listed below:

- ☐ Any expenses or payments where rules mentioned in Part 7 (Tax Payment) is not complied with [section 55(a)]
- ☐ Any payment of interest, salary, commission, or remuneration made by a firm or an association of persons to any partner or any member [section 55(b)]
- ☐ Any payment by way of commission paid or discount made to its shareholder director by a company [section 55(c)];
- ☐ So much of the expenditure by an assessee on the provision of perquisites (as defined in section 32) or other benefits to any employee as exceeds Tk 1,000,000 [section 55(d)]. The provision of this clause shall not be applicable to an employer where perquisites or other benefits were paid to, an employee in pursuance of any Government decision published in the official Gazette to implement the recommendation of a Wage Board constituted by the Government.
- ☐ Any payment of royalty, license fee, technical services fee, technical knowhow fee, technical assistance fee or fees for using intangible assets aggregately exceeding 10% of disclosed net business profit [section 55(e)]
- ☐ Head office or intra-group expense, called by whatever name by a company not incorporated in Bangladesh under Company Act, 1994 exceeding 10% of disclosed net business profit [section 55(f)]
- ☐ Overseas traveling expense for business purpose exceeding 0.50% of the disclosed business turnover in statement of income. Provided that nothing of this clause shall apply to the overseas traveling expenses by an assessee engaged in providing any service to the Government. Further, provided that additional

Chapter - 8 Income from Business or Profession

amount paid in this category will be allowable for deduction if such expense can be supported by valid documents and commercial connection of such expense can be proved [section 55(g)]

- ☐ Entertainment expense exceeding the following rates: [section 55(h)]

Business income before deducting entertainment expense	Allowable rate
On the first Tk. 10 lakh	4%
On the balance	2%

- ☐ Free sample distribution exceeding the following rates: [section 55(i)]

Business Turnover (taka)	Pharmaceutical Industries	Food, Cosmetics and toiletries Industries	Other Industries
Up to 5 crore	2.00%	1.00%	0.50%
5 to 10 crore	1.00%	0.50%	0.25%
Above 10 crore	0.50%	0.25%	0.10%

- ☐ Any sorts of promotional expenses (excluding advertisements) exceeding 0.50% of the disclosed business turnover [section 55(j)]
- ☐ Any payment made to employees classified as income from salary paid through other than banking channel [section 55(k)]
- ☐ Any payment classified as income from rent paid through other than banking channel [section 55(l)]
- ☐ Any payment exceeding Tk. 500,000 paid by a person on account of purchase of raw materials otherwise than by bank transfer [section 55(m)]
- ☐ Any payment by a person exceeding Tk. 50,000, otherwise than by bank transfer excluding (i) salary/remuneration made to any employee, (ii) any rent; (iii) any payment on account of purchase of raw materials [section 55(n)]
- ☐ Any amount paid to a person who fails to show acknowledgement slip of return submission at the time payment is made, if he is required to show the slip under different items (25, 26, 28, 29, 36, 37, 42 and 43) of section 264(3) [Sect. 55(o)]
- ☐ Capital expenditure or taxpayer personal expenses [section 55(p)]
- ☐ Any deduction or and deduction created due to any liability which is not clearly calculated [section 55(q)]
- ☐ Any such expenses which are not related to business activities [section 55(r)]
- ☐ Any depreciation allowance claimed on right of use of any asset and interest expense as per International Financial Reporting Standard, however, rental expense, expenses for development and maintenance of any asset used for business purpose will be allowable for deduction [section 55(s)]
- ☐ Impairment loss of imaginary asset [section 55(t)]
- ☐ Money transferred to any fund without getting approval through there are provisions of taking approval of such fund under ITA 2023 [section 55(u)]

- ☐ If books of accounts are not maintained in prescribed method, any expenses which are not substantiated by valid documents [section 55(v)]

Special Business Income

Notwithstanding anything contained in any other sections of ITA 2023, all disallowed expenses as listed in section 55 [except 55(d – j, q, s, t)] will be considered as special business income [sec 56(1)]. Any types of expenses, set-off or carry forward of losses and any allowances under Third Schedule against any income under this chapter classified as either ‘special business income’ or special items from ‘income from business’ are not allowable and such income will be taxed at regular rates [sec 56(2)].

Inadmissible Business Losses

Following losses are not deductible from business income.

- ☐ Loss which is not incidental to trade, carried on by the assessee;
- ☐ Loss incurred due to damage, destruction, etc. of capital assets;
- ☐ Loss incurred due to sale of shares held as investment;
- ☐ Loss of advances made to set up new business that could not be started;
- ☐ Depreciation of funds kept in foreign currency for capital purposes;
- ☐ Loss from non-recovery of tax paid by an agent on behalf of the non-resident;
- ☐ Anticipated future losses;
- ☐ Loss relating to any business/profession discontinued before the commencement of the income year;
- ☐ Loss arising as a result of seizure and confiscation of illegal stock-in-trade;
- ☐ Loss incurred in the closing down of the business;
- ☐ Loss caused by forfeiture of advance given for purchase of capital assets
- ☐ Violation of law is not a normal incident of trade and an expense incurred by way of penalty for infraction of laws is not deductible as business loss.

EXHIBIT

8.5

Example of Special Business Income

Case 1: For the current assessment year, ABC Ltd. reports Tk. 300,000 as net income in its profit and loss account. At the time of assessment, the amount of inadmissible expenses for the company is Tk. 800,000 (Tk. 500,000 is as per section 55). The company is enjoying a reduced corporate tax rate of 10%. Here, reduced tax on adjusted net income = 10% of Tk. 300,000 + Tk. 300,000 = Tk. 60,000 plus Regular tax on inadmissible expenses as per section 36 = 30% of Tk. 500,000 = Tk. 150,000. Thus, total tax liability of ABC Ltd. for assessment year 2024-25 is Tk. 210,000 (Tk. 60,000 + Tk. 150,000).

Case 2: For the current assessment year, XYZ Ltd. reports Tk. 800,000 as net loss in its profit and loss account. It reports Tk. 8,000,000 as turnover. At the time of assessment, the amount of inadmissible expenses for the company becomes Tk. 700,000 (Tk. 400,000 is as per section 55). The company is enjoying a reduced corporate tax rate of 10%. Here, adjusted net loss = Tk. 800,000 - Tk. 300,000 = Tk. 400,000. However, minimum tax will be Tk. 8,000,000 × 6% = Tk. 48,000 plus Regular tax on inadmissible expenses as per section 55 = 30% of Tk. 400,000 = Tk. 120,000. Thus, total tax liability of XYZ Ltd. for the year is Tk. 168,000 (Tk. 48,000 + Tk. 120,000).



- (a) How much of the amount paid as perquisite is allowed for deduction?
- (b) What will be the allowable entertainment expenses if total income amounts to taka 1,000,000.
- (c) How much of the cost of free sample is admissible for a pharmaceutical industry for a turnover of taka 40,000,000.

Other Inadmissible Expenses

The list of inadmissible expenses given in section 55 is not inclusive one. There are some other inadmissible expenses that may be discussed in terms of *Residuary or Omnibus Clause*. Some of such expenses are:

- ☐ Past losses, in case of change of business;
- ☐ Penalty, fine and damages paid in connection with infringement of law;
- ☐ Payments made for acquisition of goodwill and payment to partner in any form;
- ☐ Fees paid to obtain license to investigate and search minerals;
- ☐ Income tax and Provision for income tax;
- ☐ Reserve for bad debt and reserve for discount;
- ☐ Contribution to unrecognized provident fund;
- ☐ Capitalized expenditure in any form and Cost of copy right, patent etc;
- ☐ Preliminary expenses, underwriting commission, writing off share discount;
- ☐ Loss of speculative business and Loss on sale of capital asset;
- ☐ Fund embezzlement after office hour and by stranger during office hour
- ☐ Expenses for protecting against competition and incurred for issuing of shares;
- ☐ New years' presentation to employees;
- ☐ Legal expenses for income tax, alteration of capital, company dissolution;
- ☐ Contingent liability and Payment of fine for violation of law;
- ☐ Personal expenses of assessee and Contribution to political parties;
- ☐ Excess remuneration paid to the employee who have relation with the partner;
- ☐ Deviating from the regular practice, gratuity paid to a single employee.

8.11

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STARTUP SANDBOX

Section 25 of the Income Tax Act 2023 mentions the special provisions for tax calculation. One such special provisions relates to the income made by a person from Start-up Sandbox which is detailed in Part 2 of Eighth Schedule. This section elaborates the provisions related to Start-up Sandbox. A startup shall be registered with the Board to receive any benefit of Start-up Sandbox.

Startup

Startup means a company with annual turnover not exceeding Taka 100 crore in any financial year. Such company -

- ☐ is incorporated under Company Act 1994; and
- ☐ works towards deployment/commercialization of new products/process or service driven by innovation, development and technology or intellectual property; and
- ☐ is not a resulting company of a scheme of amalgamation or demerger.

Here, innovation means the process of creating value by offering novel solution or making a significant improvement to any prevailing solution to any significant problem or a set of problems.

Ineligibility of Registration

A startup shall not be eligible for registration, if it -

- ☐ is incorporated prior to first day of July 2017; or
- ☐ is incorporated between first day of July 2017 and thirtieth day of June 2023 and fails to get registration by the thirtieth day of June 2024; or
- ☐ is incorporated on or after July 1, 2023 and fails to get registration under this section by thirtieth June of every year following the year of its incorporation.

Benefits of Startup

Any startup registered under this act will enjoy following benefits.

- ☐ In determining income from business, sections 55 and 56 shall not be applicable for growth years.
- ☐ Where in any growth year, any loss is incurred by a startup and the loss cannot be wholly so set off, the amount of the loss not so set off shall be carried forward to the next assessment year and so on for maximum 9 successive assessment years.
- ☐ The rate of minimum tax as provided in sub-section (5) of section 163 for growth years of a startup shall be 0.1% (zero-point one percent).
- ☐ A startup shall have no reporting obligation other than submission of return under sections 166 and 177 if it provides permanent access to its system or books of accounts to the income tax authority.

For this section, growth years means -

- ☐ a period of three years (01.07.24 to 30.06.27) for companies incorporated between 01.07.17 and 30.06.23 and gets registration in NBR by 30.06.24.
- ☐ a period of five years that starts with first day of July of the year following the year of incorporation. It is applicable for companies incorporated on or after first day of July 2023 and gets registration by thirtieth June of every year following the year of its incorporation.

EXHIBIT

8.6

Startup Sandbox

Case 1: Company X is incorporated under Company Act 1994 on first day of January 1, 2021, whose annual turnover is Tk. 80,00,00,000. The company is neither a subsidiary of another company nor a resulting company of a scheme of amalgamation or demerger. It works towards commercialization of new products driven by innovation. This company is eligible to get registered as a startup. It needs to be registered within thirtieth day of June 2023. And it can claim three years as growth years to claim the benefits of a startup.

Case 2: Company X has been registered on the first day of July 2023 and registered as a startup on the first day of January 2024. It will enjoy benefits of startup for a period of five years beginning from first day of July 2024.

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8.5

METHOD OF ACCOUNTING

Income of a person shall be calculated applying accounting methods regularly subject to the rules specified in ITA, 2023. If any person believes that a change in the prevailing accounting method is needed, he may apply to Deputy Commissioner of Taxes (DCT) elaborating the change. On receipt of such an application, the DCT can approve required changes to calculate income of the person clearly. For any business, or class of business, or any other source, or any class of income, the Board may direct, by rules, the method of accounting and other standards. Without prejudice to the rules specified before, companies will maintain accounting records and prepare financial statements following International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or relevant acts in effect in Bangladesh [section 72].

Submission of Audited Financial Statements [Section 73]

Any person other than individual and Hindu Undivided Family are required to submit return of an income year with a copy of statement of income and financial statements certified by chartered accountants specifying that -

- ☐ accounts are kept, and statements are prepared and submitted for the income year by following International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) or relevant acts in effect in Bangladesh;
- ☐ complies the standards set by the board from time to time; and
- ☐ audited as per International Standards on Auditing;

Provided that these conditions will not be applicable in case of -

- ☐ any firm, trust, association of persons, foundation, society and co-operative society having gross receipts of not exceeding Tk. 5 crore; and
- ☐ any educational institution of primary and pre-primary education. [sec 73].

Accounting Method for Long Term Contract [Section 74]

Long term contract means any contract for production, establishment, or construction or providing accompanying services related to each contract which has not been finished within the same year of starting the contractual job, however, it excludes any contract which has been completed within six months from the date of the start of contractual jobs. Where a person maintains the required accounting method for calculating income classified as 'income from business', he will apply percentage of completion method to calculate income arising from long term contract in any income year. During any assessment year, the percentage of completion will be calculated comparing the budgeted expense as mentioned in the contract before the beginning of the assessment year and actual expenses with expected total contractual expenses, which was finalized at the beginning of contract period.

Incomplete Accounts [Section 75]

If any return, explanations or submitted documents, or mentioned claim during the activities of audit or tax calculation is not comparable, nothing of this act can restrain

the power of the income tax authority to disallow [section 75(1)]. The income of the assessee shall be computed on such basis and manner as the DCT may think fit where

- ☐ no acceptable method of accounting has been employed, or
- ☐ the DCT is not satisfied with the accuracy and completeness of the accounting records or the accounting records of the taxpayer are not prepared and maintained as per the provisions of section 73 [section 75(2)].

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BALANCING ALLOWANCE/CHARGE AND CAPITAL GAIN

- ☐ **Balancing Allowance:** If the written down value of any asset exceeds sales proceeds or disposed value, the difference will be treated as balancing allowance and will be treated as loss though this is not allowed in case of furniture.
- ☐ **Balancing Charge:** This is the difference between sale proceeds and written down value, provided that such difference does not exceed the difference between sale proceeds and actual costs. This is treated as revenue gain and shown as income in the year when the asset is sold.
- ☐ **Capital Gain:** This is the difference between sale proceeds and actual cost. This is shown as income under the head of Capital Gain.

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SET OFF AND CARRY FORWARD OF LOSS

Section 70 of the ITA, 2023, provides required rule for set off and carry forward of losses from income from business and speculation business. As per the section, losses under these heads can only be adjusted against the income from the same heads.

- ☐ Loss from business is adjustable only against income from business
- ☐ Loss of speculation business is adjustable only against income from speculation business

EXHIBIT

8.7

Balancing Allowance/Charge, Capital Gain

Case 1:

Cost: Tk. 80,000	Sale proceeds: Tk. 40,000	WDV: Tk. 50,000
		Balancing Allowance Tk. 10,000

Case 2:

Cost: Tk. 80,000	Sale proceeds: Tk. 60,000	WDV: Tk. 50,000
	Capita gain: Nil	Balancing Charge Tk. 10,000

Case 3:

Cost: Tk. 80,000	Sale proceeds: Tk. 90,000	WDV: Tk. 60,000
	Capita gain: Tk. 10,000	Balancing Charge Tk. 30,000
		Maximum: Tk. 20,000
Total gain: Tk. 30,000	Capita gain: Tk. 10,000	Balancing Charge Tk. 20,000

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Set-off and carry forward of losses is not allowed for tax exempted income, income which is taxed at reduced rate, or income subject to minimum tax under sec. 163(2).

If the loss cannot be wholly so set off, the amount of the loss not so set off shall be carried forward to the next assessment year and so on for not more than six successive assessment years. If any person replaces another person (other than inheritance) in business or profession, the successor cannot set-off or carry forward any loss of the predecessor with his income.

For Speculation Business

Speculation business means business in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scripts, but does not include business in which -

- ☐ a contract in respect of raw materials or merchandise is entered into by a person for his manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling his other contracts for the actual delivery of the goods to be manufactured or the merchandise to be sold by him;
- ☐ a contract for stocks and shares is entered into by a dealer or investor therein to guard against loss in holdings of stocks and share through price fluctuations; and
- ☐ a contract is entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage to guard against loss which may arise in the ordinary course of his business as such member; [section 2(57)]

According to section 70 of the ITA, 2023, where, for any assessment year, the result of any speculation business of the assessee is a loss, it shall be set off only against the income (if any), from any other speculation business carried on by him and assessable for that assessment year. But when such loss is not wholly so set off, the assessee can carry forward such unadjusted loss, to the next following assessment year and

- ☐ it shall be set off against the income (if any), from any speculation business carried on by him and assessable for that assessment year; and
- ☐ if the loss cannot be wholly set off, the amount of unadjusted loss shall be carried forward to the next assessment year(s) but no more than six successive assessment years.

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TAX FREE INCOME UNDER SIXTH SCHEDULE

Following heads of income are excluded from taxable income and thus tax free.

- ☐ Income from gratuity from the government gratuity fund is exempted upto Tk. 2.50 crore (Para 5)
- ☐ Any income derived from following business by resident or non-resident Bangladesh for the period from the first day of July, 2020 to the thirtieth day of

the power of the income tax authority to disallow [section 75(1)]. The income of the assessee shall be computed on such basis and manner as the DCT may think fit where

- ☐ no acceptable method of accounting has been employed, or
- ☐ the DCT is not satisfied with the accuracy and completeness of the accounting records or the accounting records of the taxpayer are not prepared and maintained as per the provisions of section 73 [section 75(2)].

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BALANCING ALLOWANCE/CHARGE AND CAPITAL GAIN

- ☐ **Balancing Allowance:** If the written down value of any asset exceeds sales proceeds or disposed value, the difference will be treated as balancing allowance and will be treated as loss though this is not allowed in case of furniture.
- ☐ **Balancing Charge:** This is the difference between sale proceeds and written down value, provided that such difference does not exceed the difference between sale proceeds and actual costs. This is treated as revenue gain and shown as income in the year when the asset is sold.
- ☐ **Capital Gain:** This is the difference between sale proceeds and actual cost. This is shown as income under the head of Capital Gain.

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SET OFF AND CARRY FORWARD OF LOSS

Section 70 of the ITA, 2023, provides required rule for set off and carry forward of losses from income from business and speculation business. As per the section, losses under these heads can only be adjusted against income from business

- ☐ Loss from business is adjustable only against income from speculation business
- ☐ Loss of speculation business is adjustable only against income from speculation business

EXHIBIT

8.7

Balancing Allowance/Charge, Capital Gain

Case 1:

Cost: Tk. 80,000	Sale proceeds: Tk. 40,000	WDV: Tk. 50,000
	Balancing Allowance Tk. 10,000	

Case 2:

Cost: Tk. 80,000	Sale proceeds: Tk. 60,000	WDV: Tk. 50,000
Capital gain: Nil	Balancing Charge Tk. 10,000	

Case 3:

Cost: Tk. 80,000	Sale proceeds: Tk. 90,000	WDV: Tk. 60,000
Capital gain: Tk. 10,000	Balancing Charge Tk. 30,000	
	Maximum: Tk. 20,000	
Total gain: Tk. 30,000	Capital gain: Tk. 10,000	Balancing Charge Tk. 20,000

Set-off and carry forward of losses is not allowed for tax exempted income, income which is taxed at reduced rate, or income subject to minimum tax under sec. 163(2).

If the loss cannot be wholly so set off, the amount of the loss not so set off shall be carried forward to the next assessment year and so on for not more than six successive assessment years. If any person replaces another person (other than inheritance) in business or profession, the successor cannot set-off or carry forward any loss of the predecessor with his income.

For Speculation Business

Speculation business means business in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scripts, but does not include business in which –

- ☐ a contract in respect of raw materials or merchandise is entered into by a person for his manufacturing or mercantile business to guard against loss through future price fluctuations for the purpose of fulfilling his other contracts for the actual delivery of the goods to be manufactured or the merchandise to be sold by him;
- ☐ a contract for stocks and shares is entered into by a dealer or investor therein to guard against loss in holdings of stocks and share through price fluctuations; and
- ☐ a contract is entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage to guard against loss which may arise in the ordinary course of his business as such member; [section 2(57)]

According to section 70 of the ITA, 2023, where, for any assessment year, the result of any speculation business of the assessee is a loss, it shall be set off only against the income (if any), from any other speculation business carried on by him and assessable for that assessment year. But when such loss is not wholly so set off, the assessee can carry forward such unadjusted loss, to the next following assessment year and

- ☐ it shall be set off against the income (if any), from any speculation business carried on by him and assessable for that assessment year; and
- ☐ if the loss cannot be wholly set off, the amount of unadjusted loss shall be carried forward to the next assessment year(s) but no more than six successive assessment years.

8.15

CLO
8.1
8.8

TAX FREE INCOME UNDER SIXTH SCHEDULE

Following heads of income are excluded from taxable income and thus tax free.

- ☐ Income from gratuity from the government gratuity fund is exempted upto Tk. 2.50 crore (Para 5)
- ☐ Any income derived from following business by resident or non-resident Bangladesh for the period from the first day of July, 2020 to the thirtieth day of

June, 2024: software development; customization of software or application; Nationwide Telecommunication Transmission Network (NTTN); digital animation development; website development; website service; web listing; IT process outsourcing; website hosting; digital graphics design; digital data entry and processing; digital data analytics; graphic information services IT support and maintenance services; software test lab services; call center service; overseas medical transcription; search engine optimization service; document conversion, imaging and digital archiving; robotics process outsourcing; cyber security service; cloud service; system integration; e-learning platform; e-book publication; mobile application development service; and IT free launching (Para 21)

- Any income derived from the export of handicrafts for the period from the first day of July, 2020 to the thirtieth day of June, 2024 (Para 22)
- Income from any Small and Medium Enterprise (SME) engaged in production of any goods and having an annual turnover of not more than taka 70 lakhs, if the enterprise is owned by women; otherwise not more than Tk. 50 lakhs (Para 24)
- Any income, not being interest or dividend classifiable under the head 'Income from other sources', received by any educational institution, if it -
 - is enlisted for Monthly Pay Order (MPO) of the Government,
 - follows the curriculum approved by the Government,
 - is governed by a body formed as per Government rules/regulations (Para 26)
- Any income, not being interest or dividend income, received by any public university or any professional institute formed under any law and run by professional body of Chartered Accountants or Cost and Management Accountants or Chartered Secretaries (Para 28).
- Income of an assessee donated in an income year by a crossed cheque or bank transfer to any national level institution engaged in the Research & Development (R&D) of agriculture, science, technology and industrial development (Para 2, part 2)

EXHIBIT

8.8

Specimen Form of Computing Taxable Income

Net Income as per Profit and Loss Account	Tk. XX
Add: Expenses that are not allowed (made debited in Profit and Loss account)	XX
Add: Income under the head of Business and Profession that are not included earlier	XX
Less: Expenses that are allowed (not debited in Profit and Loss account)	XX
Total Income	XX
Less: Income that are not from business or profession (already credited in Profit and Loss account)	XX
Taxable Income from business or profession	XX

SPC
8.1

SOLVED PRACTICAL CASES (SPC)

Chapter - 8 Income from Business or Profession

ADMISSIBLE EXPENSES

Which of the following expenses are admissible and to what extent?

- (a) Research expense Tk. 50,000 (Tk. 35,000 is capital in nature) for the period
- (b) Yearly subscription Tk. 50,000 is paid to the Trade Body as a registered member
- (c) Loan of Tk. 12,000 is not recoverable and has actually been written off
- (d) Bad debt Tk. 10,000 has been recovered that was written off in the last year
- (e) Provision for doubtful debt is charged @ 10% on the amount of outstanding loan of Bangladesh Workers Welfare Foundation Fund which is established u/s 14 of the year was Tk. 100,000
- (f) Depreciation charged on the Building owned by the business @ 10% assuming a 10 years life on straight-line basis.
- (g) Salary of Tk. 300,000 paid for the year without deducting tax at source
- (h) Payment for perquisites totals Tk. 600,000 for the year.
- (i) Income for the year is Tk. 1,440,000 charging entertainment expense Tk. 60,000

Provisions of admissible expenses for the above items are

- (a) Research expenditure of Tk. 15,000 (revenue in nature) will be admissible and amortization allowance will be claimed @ 10% on remaining Tk. 35,000 (capital nature) [Section 50 & Third Schedule]
- (b) The expense is fully admissible provided that the trade organization falls within the meaning of the Trade Organizations Ordinance, 1961 [Section 49]
- (c) Fully admissible as already established as irrecoverable [Section 51]
- (d) The recovered amount will be considered as income for the year as it was charged as expense last year that is not an expense
- (e) This is not admissible provided that the company is not a banking company
- (f) Any amount transferred to Workers Participation Fund is admissible upto 5% of disclosed net business profit. Thus, it will be admissible upto Tk. 5,000 (5% of Tk. 100,000) and remaining Tk. 10,000 will be inadmissible [Section 49]
- (g) Accounting depreciation and tax depreciation differs significantly. As per Para 4, 3rd Schedule of ITA, general building be depreciated @ 5% on WDV and factory building be depreciated @ 10% on WDV. Thus, accounting depreciation will be added back to compute income before charging depreciation and then tax depreciation (using these rates) would be deducted as allowable deduction.
- (h) Salary is an inadmissible expense as failed to deduct TDS [Section 54a]
- (i) Maximum expense that can be charged against perquisites is Tk. 1,000,000 or taka 600,000 can be shown as allowable perquisites [Section 54a]
- (j) Income before charging entertainment expense is Tk. 1,440,000. Now, for the first Tk. 1,000,000 the rate for the expense is 4% and for the rest Tk. 440,000 the rate is 2%. So, the allowable entertainment expense would be up to Tk. 50,000 (4% of Tk. 1,000,000 + 2% of Tk. 440,000) [Section 54b]

**SPC
8.2**

INADMISSIBLE EXPENSES

State with reasons whether the following expenses are fully or partly admissible as deduction while computing income from business or profession:

- Stock-in-trade was lost in fire Tk. 12,000 and was debited to P/L Account.
- Amount spent on a successful suit filed against a person for infringing trade mark of the assessee Tk. 10,000;
- Interest paid to bank Tk. 15,000 for overdraft obtained in paying dividend;
- Overseas traveling expense Tk. 50,000; The amount of disclosed business turnover and disclosed net profit is Tk. 40,00,000 and Tk. 20,00,000 respectively;
- Incentive bonus Tk. 3,00,000; The amount of disclosed turnover and disclosed net profit is Tk. 40,00,000 and Tk. 20,00,000 respectively;
- Salary paid to two employees @ Tk. 20,000 per month; one is paid in cash and another through bank transfer.
- Salary expense of a firm is Tk. 100,000 of which Tk. 40,000 is paid to a partner;
- Royalty paid Tk. 2,00,000; Disclosed turnover and disclosed net profit from business is Tk. 40 lac and Tk. 20 lac respectively; The business is in 4th year.
- Installation cost of an IPS, Tk.50,000;
- Penalty paid for violating income tax law Tk. 25,000.
- Repair expense of the hired premises paid Tk. 50,000. The building is used both for office and residence at an equal proportion.
- Insurance premium paid Tk. 25,000 of which Tk. 5,000 is owner's life insurance.

Provisions of admissible expenses for the above items are

- Loss of stock-in-trade is an admissible expense and is allowed to the full amount.
- Litigation/legal expense is an admissible expense and is allowed to the full amount as it is spent for protecting business interest.
- Interest expense on overdraft taken to meet business expenses is admissible expense and allowed to the full amount.
- Overseas traveling expense is admissible up to 0.50% of the disclosed business turnover, so here of total Tk. 50,000 admissible amount is Tk. 20,000 (0.50% of Tk. 40,00,000). [section 55(g)]
- Incentive bonus expense is fully admissible as it is related to business interest.
- Of total salary expense Tk.480,000, Tk. 240,000 is admissible as it has been paid through bank transfer and rest of Tk. 240,000 is inadmissible as it has been paid in cash. [section 55(k)]
- Of total salary expense Tk.100,000, Tk. 60,000 is admissible as it has been paid to employees and rest of Tk. 40,000 is inadmissible as it has been paid to a partner of the firm. [section 55(b)]
- Royalty is admissible up to 10% of the disclosed net profit from business, so here total Tk. 200,000 will be admissible (10% of Tk. 20,00,000). [section 55(e)]
- Not admissible, as it is a capital expenditure. [section 55(p)]
- Not admissible as the penalty is imposed for violating laws.

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- Of total repair expense of Tk. 50,000, Tk. 25,000 is admissible which is for the proportion of office use and the rest of Tk. 25,000 is inadmissible as half proportion of the house has been used for personal purpose. [section 55(p)]
- Of total insurance premium Tk. 20,000 is admissible which is for the protection of business interest and the rest of Tk. 5,000 is inadmissible it is given for personal interest of the owner. [section 55(p)]

**SPC
8.3**

PERSONAL EXPENSES, FUND EMBEZZLEMENT, TAX DEPRECIATION

The Profit and Loss Account presented below of X Limited, a one-man company, results net income of Taka 800,000 for the current accounting year ended on June 30. Compute the income from business for the year considering the given additional information.

Dr.	Profit and Loss Account	Cr.
Salary		
Commission	Tk. 460,000	Gross Profit
Rent of Premises	25,000	Interest on Securities
Fund Embezzlement	100,000	Interest on bank Deposit
Donations	25,000	
Bad debt	200,000	
Insurance Premium	50,000	
Depreciation Expense	47,000	
Provision for income tax	35,000	
Repair expense	45,000	
License renewal fee	20,000	
Penalty and Fine	5,000	
Bonus	73,000	
Royalty	100,000	
Interest on Bank Loan	100,000	
Household expenses	30,000	
Net Profit	10,000	
	800,000	
	<u>2,125,000</u>	<u>2,125,000</u>

Other Information:

- Salary includes Tk. 125,000 paid to an employee during December 1, 2023 to June 30, 2024 who failed to submit return within tax day nor get extension
- Fund embezzlement occurred after office hour
- One fourth of the premise is used as residence by X
- Donations include Tk. 150,000 paid to a charitable hospital that is approved as per the Sixth Schedule of ITA, 2023;
- Tk. 7,000 of insurance premium is the payment for policy purchased in the owner's name;
- Tax depreciation amounts to Tk. 50,000;
- Of repair expense Tk. 5,000 is spent for the space used for residential purpose;
- Commission includes Tk. 10,000 paid to shareholder director.

Assessee: X Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Income from Business (section 45)

Profit as per Profit and Loss account	Tk. 800,000
Add: Inadmissible expenses (workings 1)	450,000
Less: Depreciation expense (as per ITO)	(50,000)
Less: Non-Business Income (workings 2)	(125,000)
Taxable income from Business	Tk. 1,075,000

Workings 1: Inadmissible expenses

Salary (note 1)	Tk. 125,000
Commission (note 2)	10,000
Rent (100,000 - 4)	25,000
Fund Embezzlement (note 3)	25,000
Donations (note 4)	50,000
Life insurance premium (note 5)	7,000
Depreciation Expense (note 6)	35,000
Provision for Income Tax	45,000
Repair expense (note 7)	5,000
Penalty and fine	73,000
Bonus (note 8)	20,000
Royalty (note 9)	20,000
Household expenses	10,000
Tk. 450,000	

Workings 2: Non-Business income

Interest on Securities	Tk. 100,000
Interest on Bank deposit	25,000
Tk. 125,000	

Notes: (1) Salary is an inadmissible expense as the person failed to file return within tax day (2) Commission paid to shareholder director is not admissible deduction (3) As fund embezzlement occurred after office hour, this is not allowed (4) Donations made to the unapproved organization are inadmissible (5) Personal life insurance premium is inadmissible (6) Depreciation charged in the profit and loss account is considered as inadmissible which has been treated later by the allowable amount as per ITA (7) Rent and repair expense paid for the residential proportion is inadmissible (8) Bonus is admissible up to an amount equal to 10% of the disclosed net profit, i.e., 10% of Tk. 800,000; the rest of the amount is inadmissible. (9) Royalty is admissible up to an amount equal to 10% of the disclosed net profit, i.e., 10% of Tk. 800,000; the rest of the amount is inadmissible.

CAPITAL GAIN, FREE SAMPLE, TRAVELLING EXPENSE, LEGAL EXPENSE

The Income Statement with selective notes of ABC Ltd for the current year ended on December 31 is presented below. Compute the income from business or profession of ABC Ltd for the year considering the other given information.

Net Sales	Tk. 1,000,000
Less: Cost of Goods Sold	536,000
Gross Profit	464,000
Add: Gain on Sale of Furniture	45,000
	509,000
Less: Administrative and Selling & Distribution Expenses	209,000
Net Profit	Tk. 300,000

SPC
8.4

Chapter - 8 Income from Business or Profession

Other information: (a) Cost of furniture was Tk. 82,000, accumulated depreciation on disposal was Tk. 34,000 and sold for Tk. 93,000. (b) Tax depreciation amounts is Tk. 25,000; admin and selling expenses include: salaries and wages Tk. 40,000; supplies expense Tk. 11,000; rents, rates & taxes Tk. 10,000; provision for doubtful debts Tk. 14,000; legal charges Tk. 11,000; underwriting commission Tk. 13,000; audit fees Tk. 10,000; repair expenses Tk. 10,000; advertising expense (free sample distribution Tk. 16,000) Tk. 20,000; incentive bonuses Tk. 40,000; depreciation expense Tk. 18,000; and overseas traveling expense Tk. 12,000, which is incurred for giving services to government where overseas travelling is a key requirement for the service. (c) Legal expenses have been incurred in defending an action of infringement of its trademarks.

Assessee: ABC Ltd Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Income from Business (section 45)

Net Profit as per Income Statement	
Add: Inadmissible expenses (workings 1)	Tk. 300,000
Less: Depreciation expense (as per ITA)	66,000
Less: Non-Business Income (workings 2)	(25,000)
Taxable income from Business or Profession	(11,000)
	Tk. 330,000

Workings 1: Inadmissible expenses

Provision for Doubtful Debts	Tk. 14,000
Underwriting Commission (note 1)	13,000
Incentive Bonuses (note 2)	10,000
Free sample distribution (note 3)	11,000
Depreciation Expenses (note 4)	18,000
Tk. 66,000	

Workings 2: Non-Business income

Gain on sale of furniture (note 5):	
Cost	Tk. 82,000
WDV	48,000
Sale proceeds	93,000
Total gain (sale proceed - WDV)	45,000
Capital Gain (sale proceed - Cost)	11,000

Notes: (1) Underwriting commission is of capital nature and not admissible (2) Incentive bonuses up to 10% of disclosed net profit i.e. 10% of Tk. 300,000 is admissible expense (3) Free sample distribution is admissible up to 0.5% of a turnover up to Tk. 5 crore. So, the admissible amount is 0.5% of Tk. 1,000,000 (4) Depreciation is admissible only by the allowable amount as per ITA (5) Capital gain will be shown under Capital Gain Head (6) Overseas traveling expense is admissible as it is incurred to provide services to government where overseas travelling was a key requirement.

BAD DEBT RECOVERY, LEGAL EXPENSE, PENALTIES, DEPRECIATION

Below is the Trading and Profit & Loss account of Mr. X & Associates for the current year ended December 31. Considering the given information, compute income from business or profession and total taxable income of Mr. X and Associates for the year.

Dr.	Trading & Profit and Loss Account		Cr.
Opening Stock	Tk. 100,000	Sales	Tk. 1,500,000
Purchase	600,000	Closing stock	200,000
Wages	56,000		
Depreciation on Machinery	13,000		
Power and Fuel	11,000		

SPC
8.5

Gross Profit (Carried Down)	920,000		
	<u>1,700,000</u>		
Salaries	75,000	Gross Profit (Brought Down)	920,000
Rent, Rates and Taxes	22,000	Bad Debt Recovered	27,000
Annual Membership Fee	50,000	Interest and Discount Received	25,000
Legal Expenses	12,000	Interest on Debenture	80,000
Underwriting Commission	36,000	Dividend on Share	60,000
Purchase of Trademarks	120,000	Commission	28,000
Bad Debts	24,000		
Accounting Fees	42,000		
Depreciation - office building	37,000		
Fines and Penalties	12,000		
Donation to Flood Relief Fund	60,000		
Gratuity to Employees	80,000		
Advance Income Tax	28,000		
Loss on sale of office furniture	12,000		
Dowry paid to the Daughter	50,000		
Miscellaneous Expense	40,000		
Net Profit	<u>440,000</u>		
	<u>1,140,000</u>		

Other information.

- ☐ Tk. 20,000 salaries are paid to the owner
- ☐ Recovered amount of bad debt was previously allowed as bad debt expense
- ☐ Legal expense is incurred for filing and continuing a case against competitor for protecting the interest of the business
- ☐ Fines and penalties were for avoidance of tax payment at an earlier period
- ☐ Payment to purchase the trademark is given in cash
- ☐ Miscellaneous expense includes Tk. 25,000 paid to a commission agent of the company who doesn't own a 12-digit TIN
- ☐ Tax depreciation was calculated as: depreciation on machinery Tk. 25,000 and depreciation on office building Tk. 30,000.

Assessee: X & Associates	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Particulars of Total Income	Section	Amount
Income from Business (workings 1)	45	Tk. 586,000
Income from Financial Assets (dividend and interest)	62	<u>140,000</u>
Total income		<u>Tk. 726,000</u>
Workings 1: Income from Business or Profession		
Net Profit as per Profit and Loss Account		Tk. 440,000
Add: Inadmissible expenses (workings 2)		341,000
Less: Depreciation expense (as per ITO)		<u>(55,000)</u>

Less: Non-Business Income (workings 3)
Taxable income from Business

Workings 2: Inadmissible expenses

Salaries	
Underwriting commission	Tk. 20,000
Purchase of trademarks	36,000
Fines and penalties	120,000
Dowry paid to the daughter	12,000
Advance income tax	50,000
Depreciation expenses (note)	28,000
Miscellaneous expense	50,000
	<u>25,000</u>
	341,000

Workings 3: Non-Business income

	(140,000)
Interest on Debenture	
Dividend on Share	Tk. 80,000
	<u>60,000</u>
	140,000

Notes: Depreciation on machinery Tk. 13,000 and on building Tk. 37,000 is not admissible. So, Tk. 50,000 for such expense is added back. However, allowable depreciation as per ITO is Tk. 25,000 on machinery and Tk. 30,000 on building. Thus, Tk. 55,000 is later deducted as depreciation expense.

SPC
8.6

STARTUP SANDBOX

ABC company is registered on September 30, 2022, under the Company Act 1994. Its scope of work covers innovations and development in the field of pharmacology as per Memorandum of Association. It was not created as an act of amalgamation or demerger and its annual turnover is not above Tk. 100 crore.

- (a) Can ABC register itself as a startup?
- (b) Say ABC applied for registration as a startup and gets approval on December 18, 2023. What will be the 'Growth Years' for ABC?
- (c) If ABC reports a loss during 'Growth Years', for how many years ABC can carry forward the loss for set off?
- (d) Mention the requirement of minimum tax of a registered startup during 'Growth Years'.

Solution

- (a) ABC company can register itself as a startup as it fulfills all the conditions required as per the conditions given in Eighth Schedule, Part 2, Para 7(c) of Income Tax Act 2023. The conditions are - (i) Registered under Company Act 1994; (ii) Scope of work covers innovation and development; (iii) Not created as an act of amalgamation or demerger; and (iv) Annual turnover doesn't exceed Tk. 100 crore.
- (b) For companies incorporated between July 1, 2017 and June 30, 2022; and registered as startup by June 30, 2024; growth year will cover three years from July 1, 2024 to June 30, 2027.
- (c) If ABC reports loss during growth year, such loss could be carried for nine successive years for set-off.
- (d) Under section 163(5), minimum tax for a startup during growth years will be 0.1% of Gross Receipts.

SPC
8.7**INCOME FROM PROFESSION, TAX CONSULTANT**

From the following receipts and payments account for the current year ended on June 30 of Mr. Azhar, a tax consultant, calculate income from profession.

Receipts (in Tk.)		Payments (in Tk.)	
Balance B/D	350,000	Administrative expenses	60,000
Fees from Client	150,000	Salary to staff	70,000
Presents from Client	40,000	Repairs	8,000
Winning from lotteries	28,000	Interest on loan for business	12,000
Rent from let out property	75,000	Income tax	6,000
Share of profit from a firm	12,500	Purchase of car (01.07.22)	150,000
		Balance c/d	3,49,500
	<u>655,500</u>		<u>655,500</u>

Assessee: Azhar Assessment Year: 2024 – 2025 Income Year: 2023 – 2024

Income from Business (section 45)**Professional receipts**

Fees from client
Present from client

Tk. 150,000
40,000

Tk. 190,000

Professional payments

Administrative expenses
Staff salary
Repairs

Tk. 60,000
70,000
8,000
12,000
15,000

165,000

Interest on loan for business

Depreciation of car @10% [as per Para 4, 3rd schedule]

Total

Tk. 25,000

SPC
8.8**INCOME FROM PROFESSION, CHARTERED ACCOUNTANT**

Following is the income and expenditure account of R & Co., chartered accountants, for the current year ending 30th June. Calculate income from profession considering: Tk. 5,000 can be claimed as depreciation for office assets as per income tax provision.

Expenditure (in Tk.)		Incomes (in Tk.)	
Charity and donation	100,000	Audit fee	300,000
Subscription to ICAB journals	2,000	Examiner fee	25,000
Institute fee	4,000	Fee for other accounting work	40,000
Office rent	5,000	Dividend from ICB Unit Fund	35,000
Drawings	50,000		
Electricity bill	9,000		
Salary to trainee	20,000		
Net income	<u>210,000</u>		
	<u>400,000</u>		<u>400,000</u>

Assessee: R & Co.

Chapter – 8 Income from Business or Profession

Income from Business (section 45)

Assessment Year: 2024 – 2025

Income Year: 2023 – 2024

Professional receipts

Audit fees
Examiner fees
Fees for other accounting work

Tk. 300,000
25,000
40,000

Tk. 365,000

Professional payments

Subscription to journal
Institute fee
Office rent
Bill for electricity
Salary to trainee
Depreciation

Tk. 2,000
4,000
5,000
9,000
20,000
5,000

45,000

Total

Tk. 320,000

SPC
8.9**INCOME FROM PROFESSION, MEDICAL PRACTITIONER**

Dr. Arup Ratan is a renowned medical practitioner (Dentist) who gives the following receipts and payments account for the current year ending on 30th June. Calculate his income from profession.

Receipts (in Tk.)

Receipts (in Tk.)		Payments (in Tk.)	
Balance B/D	75,000	Rent to clinic	15,000
Consulting Fees from Patients	45,000	Purchase of professional books	20,000
Visiting fees	20,000	Purchase of medicine	15,000
Sale of medicines	90,000	Purchase of Motor car	75,000
Gifts and presents from clients	10,000	Income tax	3,000
Interest on post office savings	12,000	Purchase of surgical equipment	15,000
Winning from lottery	150,000	Gift to wife	5,000
Dividends	10,000	Balance c/d	264,000
	<u>412,000</u>		<u>412,000</u>

Additional information: (1) One-third of the car is used for personal purpose; (2) Date of purchase: Professional book & surgical equipment on 1st July 2022 and Car on 1st January, 2023. (3) Depreciation is to be charged @ 25% on books, @ 10% on car, and @ 20% on surgical equipment as per Para 4 of Third Schedule (4) Closing stock of medicine is Tk. 4,000.

Assessee: Arup Ratan Assessment Year: 2024 – 2025 Income Year: 2023 – 2024

Income from Business (section 45)**Professional receipts**

Consulting fees
Visiting fees
Sale of medicine
Gifts and presents from clients

Tk. 45,000
20,000
90,000
10,000

Tk. 165,000

Professional payments

- Rent to clinic
- Depreciation (note 1)
- Cost of medicine (note 2)

Total

Tk. 15,000
15,500
11,000

41,500

Tk. 123,500

Notes: (1) Depreciation on books (20,000 × 25%) i.e., Tk. 5,000 plus on car (75,000 × 10%) i.e., Tk. 7,500 plus on equipment (15,000 × 20%) i.e., Tk. 3,000 = Tk. 15,500 (2) Cost of medicine = purchase of medicine Tk. 15,000 less closing stock Tk. 4,000 = Tk. 11,000

SPC
8.10

COMPUTATION OF TAX LIABILITY, COST AND MANAGEMENT ACCOUNTANT

Mr. Jamilur Rahman is a Cost and Management Accountant. He maintained books of accounts and the following is his income and expenditure account for the current year ended on 30th June. Compute total income and tax to be paid by him for the year.

Expenditure (in Tk.)	Incomes (in Tk.)
Salary to Staff 320,000	Professional fees:
Office Expenses 48,000	From cost audit 300,000
Office Rent (without TDS) 80,000	From Tax practice 200,000
Entertainment 10,000	From accounts preparation 150,000
Loan to client 40,000	Dividend from Public Ltd. Co. 50,000
Purchase of professional books 12,000	Interest on bank deposit 40,000
Traveling Expenses 25,000	Rental income from sub-let of hired premises 36,000
Purchase of one computer 20,000	
Loss on sale of listed shares 18,000	
Misc. Expenses 10,000	
Net profit 193,000	
	<u>776,000</u>

Assessee: Jamilur Rahman	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Particulars of Total Income	Section	Amount
Income from Business (workings 1)	45	Tk. 152,640
Income from Financial Assets (workings 2)	62	90,000
Income from other sources (rental income from sub-let)	66	36,000
Total income		<u>Tk. 278,640</u>

Workings 1: Income from Business

Net Profit as per Profit and Loss Account	Tk. 193,000
Add: Inadmissible expenses (workings 3)	90,000
Add: Entertainment for separate consideration	10,000
Less: Depreciation expense as per ITA (note 1)	(8,000)
Less: Non-Business Income (workings 4)	(126,000)
	159,000
Less: Entertainment (159,000 × 4%)	(6,360)

Taxable income from Business

Chapter – 8 Income from Business or Profession

Workings 2: Income from Financial Assets

Dividend from Public Ltd Company

Tk. 152,640

Interest on Bank deposit

Tk. 50,000
40,000

90,000

Workings 3: Inadmissible expenses

Loan to client (note 2)	Tk. 40,000
Purchase of professional books (note 3)	12,000
Purchase of computer (note 3)	20,000
Loss on sale of listed shares (note 2)	18,000
	<u>90,000</u>

Workings 4: Non-Business income

Dividend from Public Ltd. company	50,000
Interest on bank deposit	40,000
Rental income from sub-let	36,000

126,000

Notes: (1) Depreciation as per 3rd Schedule: on professional books @ 25% (12,000 × 25%) i.e., Tk. 3,000 plus on computer @ 25% (20,000 × 25%) i.e., Tk. 5,000 = Tk. 8,000. (2) Disallowed fully as it is not business expenditure. So, not allowable as per section – 29 (3) Disallowed fully as it is not an expenditure rather asset to business. So, not allowable as per section – 29.

Tax liability: His taxable income doesn't exceed non-assessable income limit and thus his income is not taxable. However, he may claim Tk. 74,000 refund in following year(s) due to TDS (including TDS on Bank Interest (Tk. 40,000 × 10%) Tk. 4,000, on professional fee (650,000 × 10%) Tk. 65,000, and on cash dividend (50,000 × 10%) Tk. 5,000]; Thus, the final tax liability shows a refund of Tk. 69,000 (Tk. 5,000 minimum tax less TDS Tk. 74,000).

SPC
8.11

COMPREHENSIVE PROBLEM

XYZ Traders has reported Tk. 45,00,000 net profit for the year ended on June 30, 2024. Disclosed business turnover for the year was Tk. 8,00,00,000. XYZ follows the mercantile system of accounting and prepare accounting statements as per latest IFRS as adopted by the Institute of Chartered Accountants of Bangladesh. On scrutiny of the Statement of Comprehensive Income, the following items are identified that may have tax implications:

Debit Items: Cash salaries paid to 4 employees whose monthly amount of salary is Tk. 21,000 each; Salaries of Tk. 380,000 paid without TDS though TDS was applicable; Tk. 520,000 paid to Mridul Brothers for purchase of raw material other than bank transfer; Overseas travelling expenses recorded for the year Tk. 4,50,000; Annual rent paid Tk. 12,00,000 in cash; Total promotional expenses (other than advertisements) incurred during the year, Tk. 6,50,000; Amount of annual perquisites given to three employees, Tk. 33,00,000; Head Office Expenses paid during the year, Tk. 5,00,000; Accounting depreciation charged Tk. 4,00,000, whereas tax depreciation is Tk. 3,50,000; Entertainment expense charged, Tk. 150,000; Royalty paid, Tk. 512,500.

Credit Items: During the year, an asset was sold for Tk. 5.30 lac [originally purchased for Tk. 4.80 lac]. Written down value of the asset at the time of sale was Tk. 4.50 lac; Tk. 150,000 dividend received from investment in shares in publicly traded company; Tk. 850,000 received as interest on Fixed Deposit from scheduled banks.

Assessee: XYZ Traders	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Particulars of Total Income	Section	Amount
Income from Business (workings 1)	45	73,57,500
Income from Capital Gain	57	50,000
Income from Financial Assets	62	10,00,000
Total income		<u>Tk. 84,07,500</u>

Workings 1: Income from Business

Net Profit as per Profit and Loss Account
Add: Inadmissible expenses (workings 2)
Less: Depreciation expense (as per ITA)
Less: Non-Business Income (workings 3)
Taxable income from Business

Tk. 45,00,000
42,57,500
350,000
10,50,000
73,57,500

Workings 2: Inadmissible expenses

Cash salaries (21,000 × 12 × 4)	Tk. 10,08,000
Salary (without TDS)	380,000
Payment for raw material purchase	520,000
Overseas travelling (note 1)	50,000
Rental expense	12,00,000
Promotional expenses (note 2)	250,000
Excess perquisites (note 3)	300,000
Head office expense (note 4)	50,000
Depreciation expenses	4,00,000
Entertainment expense (note 5)	37,000
Royalty (note 6)	62,500
	<u>42,57,500</u>

Workings 3: Non-Business income

Capital gain (note 7)	Tk. 50,000
Interest on Fixed Deposit	850,000
Dividend on Share	150,000
	<u>10,50,000</u>

Notes: (1) Overseas travelling expense allowed is up to 0.50% of disclosed business turnover, i.e., Tk. 4 lac (0.50% of Tk. 8 crore). Thus, Tk. 50,000 is not admissible. (2) Promotional expense allowed is up to 0.50% of disclosed business turnover, i.e., Tk. 400,000 (0.50% of Tk. 8 crore). Thus, Tk. 250,000 is not admissible. (3) Allowable perquisite to three employees is maximum taka 3,000,000 (taka 1,000,000 per employee). (4) Head office expense is allowable up to 10% of Disclosed Net Profit, i.e., Tk. 450,000 (10% of Tk. 45 lac). Thus, Tk. 50,000 is not admissible. (5) Allowable entertainment expense is Tk. 113,000 (4% of Tk. 10 lac + 2% of Tk. 36.50 lac). Thus, Tk. 37,000 is not admissible. (6) Royalty is allowed up to 10% of disclosed net profit, i.e., 450,000 (10% of taka 4,500,000). Thus taka 62,500 is not allowed (512,500 - 450,000). (7) Capital gain on sale of asset is Tk. 50,000, i.e., sale proceeds (Tk. 530,000) exceeding original costs (Tk. 480,000).

KEY POINTS

Chapter - 8 Income from Business or Profession

- ☐ Business includes any trade/commerce/manufacture; or any adventure or concern in the nature of trade/commerce/manufacture; exchange of goods or services of any profit or not-for-profit entity and any profession or vocation.
- ☐ Any income received during the income year from a discontinued business will be a part of income from business.
- ☐ The assessee is free to select his own accounting system.
- ☐ Entertainment expenditure is an admissible expense to the extent of 4% on the first Tk. 10 lakh of income, profits and gains and 2% on the rest.
- ☐ Full depreciation is allowed in the purchase year and none in the disposal year.
- ☐ Sale value exceeding original cost is capital gain and should be taxed under the head 'Income from capital gain'.
- ☐ Depreciation base is usually the written down value except in case of accelerated depreciation and on ships or vessel when original cost is the depreciation base.
- ☐ Any government subsidy or any grant received for purchasing assets or any foreign currency fluctuation gain (loss), when the asset is imported, should be adjusted accordingly to calculate the accurate costs.
- ☐ If an exporter transfers his export quota (in part or full) to any person, the proportionate export value against such quota transferred will be counted as income from business.
- ☐ Depreciation is allowed on cost but investment allowance is allowed on specified percentage of cost of qualifying assets.

MULTIPLE CHOICE QUESTIONS

- As per rule, balancing allowance may exist if WDV is -
 - Higher than sale proceeds
 - Lower than sale proceeds
 - Equal to sale proceeds
 - Equal to original costs.
- Funds transferred to Workers Participation Fund is allowable for deduction upto _____ of disclosed net business profit.
 - 5%
 - 10%
 - 15%
 - 20%
- Which of the following is an admissible expense under the head income from business -
 - Rent of premises where the assessee is the owner of the premises
 - Bonus to employee in addition to employment rule
 - Depreciation on scientific assets where capital expenditure on such assets were admissible
 - Accounting and audit fees
- Rate of depreciation admissible for factory building is -
 - 10%
 - 16%
 - 20%
 - 24%
- Which of the following is not an admissible expense under the head income from business -
 - Salaries paid to the employees without deducting taxes at source
 - Compensation to an employee for injury or accident met while on duty
 - Production, transportation and marketing expenses of inventories
 - Cost of borrowed funds in terms of interest

6. Which of the following statement is false
 - (a) Renewal fees of license is an admissible expense
 - (b) Loss on foreign exchange translation is an inadmissible expense
 - (c) Royalty paid against patent or copy right is an admissible expense
 - (d) Reserve for bad debt and reserve for discount is an inadmissible expense
7. Which of the following statement is true
 - (a) Personal expenses of assessee is admissible
 - (b) Expenditures incurred for issuing of shares is admissible
 - (c) Income tax is inadmissible
 - (d) leave allowance given to employees is inadmissible
8. Depreciation allowance is to be calculated on the original cost of the asset for which type of following assets –
 - (a) Ocean going ship
 - (b) Furniture and fittings
 - (c) Motor vehicle
 - (d) Building
9. Rate of amortization allowance for preliminary expense is –
 - (a) 10%
 - (b) 15%
 - (c) 20%
 - (d) 25%
10. If WDV is more than sales proceeds, the difference is called –
 - (a) Balancing charge
 - (b) Balancing allowance
 - (c) Capital gain
 - (d) Revenue gain

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Sales tax, value added tax are not admissible expense.
2. Loss on sale of capital asset is an inadmissible expense.
3. Total of Depreciation Allowance, in no case, will be higher than the original cost.
4. Allowable depreciation on furniture and fittings is 10% on original cost.
5. The assessee is free to select his own accounting system.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
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<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ8.1 Explain scope of income under the head 'income from business' as per section 46.
- DQ8.2 What are allowable deductions under the head 'income from business'?
- DQ8.3 List down the expenses that are not admissible under 'income from business'.
- DQ8.4 Explain different methods of accounting for calculating income from business.
- DQ8.5 What are different types of depreciation allowance? Explain each of the depreciation allowances with the rates and assets concerned.
- DQ8.6 Compare balancing charge, balancing allowance and capital gain.
- DQ8.7 Explain accelerated depreciation. How it differs from accounting sense of accelerated depreciation method of charging depreciation?
- DQ8.8 Write short note on: ☐ Set off of losses ☐ Written down value ☐ Speculation business

PROBLEM CASES (PC)

PC8.1: Which of the following expenses are admissible and up to what extent?

Chapter – 8 Income from Business or Profession

- ☐ Research expenses for the year Tk. 20,000 and is revenue expense in nature.
- ☐ Loan amounting to Taka 20,000 has actually been written off though it was not established as such in the last year and thus was not allowed then. But in this year, it has been established that the loan is not recoverable.
- ☐ Bad debt amounting to Tk. 15,000 has been recovered that was written off as irrecoverable in the last year in satisfaction of the DCT. Besides, Provision for doubtful debt has been made @ 15% on the total amount of outstanding loan.
- ☐ Annual subscription amounting to Tk. 45,000 is paid to Bangladesh Medical Association as a registered member thereof.
- ☐ Amount transferred to Special Reserve Fund Taka 25,000. Total income for the year amounts to Taka 200,000. Previous balance of Special Reserve Fund amounts to Taka 85,000 and the amount of capital outstanding is Taka 100,000.
- ☐ Depreciation charged on the machinery owned by the business @ 10% assuming a 5 years life on straight-line basis. The cost of the machinery was Taka 50,000.

PC8.2: The Profit and Loss Account of M/s Y Enterprise results net income of Taka 1,280,000 for the current accounting year ended on June 30. Compute the income from business or profession for the year.

Dr.	Profit and Loss Account		Cr.
Salary	1,000,000	Gross Profit	3,000,000
Rates and Taxes	40,000	Interest on less tax govt. securities	150,000
Rent of Premises	400,000	Bad Debt Recovered (disallowed earlier)	50,000
Fund Embezzlement	50,000		
Donations	200,000		
Bad debt	80,000		
Fire Insurance Premium	50,000		
Depreciation – Machinery	40,000		
Provision for Doubtful Debt	60,000		
Net Profit	1,280,000		
	<u>3,200,000</u>		<u>3,200,000</u>

Other Information: (1) Salary includes Tk. 300,000 paid as perquisites for the year (2) Fund embezzlement occurred during office hour on account of theft by an employee (3) Donations are made to approved organizations under Part 3 of the Sixth Schedule of ITA, 2023 (4) Tax depreciation amounts to Tk. 50,000.

PC8.3: The Income Statement with selective notes thereon of XYZ Ltd for the current year ended on December 31 is as under. Compute the income from business or profession for the year.

Net Sales	Tk. 10,000,000
Less: Cost of Goods Sold	6,800,000
Gross Profit	<u>3,200,000</u>

Add: Gain on Sale of Building (Note 1)

Less: Administrative and Selling & Distribution Expenses (Note 2)
Net Profit

1,200,000
4,400,000
3,400,000
1,000,000

Notes:

- Cost of the Building was Tk. 8,000,000, accumulated depreciation up to the date of sale was Tk. 2,700,000 and sold for Tk. 6,500,000.
- Administrative and selling & distribution expenses total Tk. 3,400,000 includes:

Salaries and Wages	Tk. 1,562,000	Provision for Doubtful Debt	Tk. 60,000
Fines and Penalties	125,000	Underwriting Commission	120,000
Rents, Rates & Taxes	80,000	Overseas Traveling Expense	1,100,000
Legal Charges	37,000	Cost of Issuing Shares	100,000
Incentive Bonuses	40,000	Depreciation Expense	116,000
Audit Fees	60,000		
- Salaries includes Tk. 180,000 payment to employees who failed to submit return within tax day and Tk. 520,000 as payment classified as perquisites.
- The fines and penalties are charged by a local court for involvement in illegal business transactions.
- Overseas travelling expenses incurred for providing services to government where overseas travelling was a key requirement for the service.
- Legal charges were for defending a suit for alleged breach of a trading contract.
- Tax depreciation amounts to be Taka 80,000.

PC8.4: The Trading and Profit & Loss Account of Mr. Z and Associates for the current year ended on December 31 is presented below. Compute the income from business or profession and total taxable income of Mr. Z and Associates for the year.

Trading & Profit and Loss Account (in Tk.)			
Dr.			Cr.
Opening Stock	200,000	Sales	2,300,000
Purchases	800,000	Closing Stock	200,000
Wages	80,000		
Depreciation on Equipment	20,000		
Transportation In	10,000		
Gross Profit (Carried Down)	1,390,000		
	<u>2,500,000</u>		<u>2,500,000</u>
Salaries	280,000	Gross Profit (Brought Down)	1,390,000
Rent, Rates and Taxes	60,000	Bad Debt Recovered	30,000
Annual Membership Fee	50,000	Interest and Discount Received	25,000
Legal Expenses	26,000	Interest on Debenture	80,000
Brokerage Fees	45,000	Dividend on Share	60,000
Purchase of Copyright	200,000	Commission	28,000
Bad Debts	60,000	Income from House Property	180,000

Chapter- 8 Income from Business or Profession

Audit Fees	
Depreciation - office furniture	50,000
Fines and Penalties	60,000
Donation to Aga Khan	20,000
Payment from Pension Fund	60,000
Tax Paid on Last Assessment	280,000
Loss on sale of furniture	30,000
Payment to Daughter	10,000
Miscellaneous Expense	50,000
Net Profit	60,000
	<u>452,000</u>
	<u>1,793,000</u>

1,793,000

Other information: (1) Salaries are paid without deducting tax at sources (2) Recovered amount of bad debt was previously disallowed as bad debt expense (3) Legal expense is incurred for filing and continuing a case against competitor for protecting the interest of the business (4) Fines and penalties were due to the noncompliance of govt. rules and regulations (5) Miscellaneous expense includes Taka 40,000 that was incurred for payment to tax consultant who doesn't own 12-digit TIN (6) Tax depreciation on equipment Tk. 30,000 and on furniture Tk. 50,000.

PC8.5: From the following receipts and payments account of Mr. Arif Khan, an income tax practitioner, calculate income from profession.

Receipts and Payments Account			
Receipts (in Tk.)		Payments (in Tk.)	
Balance B/D	350,000	Office and administrative exp.	60,000
Fees from Client	150,000	Salary to staff	70,000
Presents from Client	40,000	Repairs	8,000
Interest on Bangladesh savings certificate	22,500	Interest on loan for business	12,000
Rent from let out property	75,000	Income tax	6,000
Share of profit from a firm	12,500	Purchase of car (01.01.20)	150,000
	<u>650,000</u>	Balance c/d	344,000
			<u>650,000</u>

PC8.6: Following is the income and expenditure account of Hasan & Co., cost and management accountants for the current year ending 30th June. Calculate income from profession from the given details.

Expenditure (in Tk.)		Incomes (in Tk.)	
Charity and donation	100,000	Audit fee	300,000
Subscription to ICMAB journals	2,000	Examiner fee	25,000
Institute fee	4,000	Fee for other accounting work	40,000
Rent expense	50,000	Dividend from ICB Unit Fund	45,000

1. The Government of the United States of America, hereinafter referred to as the "Government,"

[illegible]

Abstract

10

100 100 100 100 100

1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 26

1999, 2000, 2001, 2002

Capital Gain

the government has raised violence against the enemy must necessarily be viewed as the right to protect the people and the ground on which it is not to be taken.

Chapter Learning Objectives (CLOs)

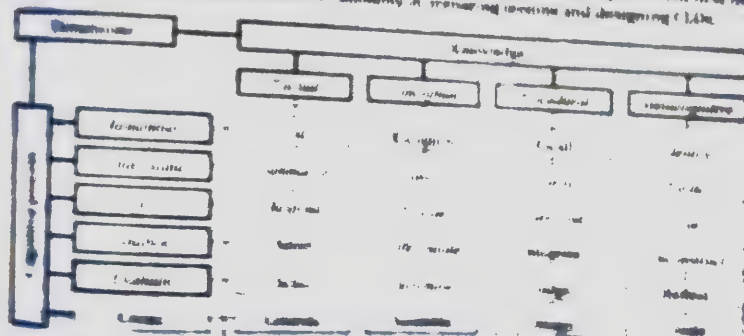
1. The first step is to identify the problem.
 2. The second step is to analyze the problem.
 3. The third step is to develop a solution.
 4. The fourth step is to implement the solution.
 5. The fifth step is to evaluate the solution.
 6. The sixth step is to monitor the solution.
 7. The seventh step is to maintain the solution.
 8. The eighth step is to improve the solution.
 9. The ninth step is to document the solution.
 10. The tenth step is to communicate the solution.

KEY TERMS

Financial report 1000 marks of
value for corporations,
from up off and carry
forward to new assets
value & financial health
more robust or rather that
moving closer

~~SECRET~~

The diagram shows (a) the nature knowledge structure and different components of that structure of cognitive dimension of human knowledge. A structure of knowledge and dimension (b).



9.1

CLO
9.1

INTRODUCTION

Capital gain is the fifth head of income as per section 30 of Income Tax Act, 2023. This gain or profit arises on transfer of capital asset if transferred at a value more than the original costs. Tax on such income shall be charged at the special rates specified in the seventh schedule in respect of such income in the income year when the transfer took place [sections 18(5)(a), 57, 58, 59].

9.2

CLO
9.2

DEFINITIONS

Some pertinent definitions to this specific head of income are quoted from ITA, 2023.

Capital Assets [section 2(77)]

'Capital Asset' is property of any kind or nature held by the assessee; any business or undertaking aggregately or by unit; any share or stock; but does not include –

- ☐ any stock-in-trade (not being stocks or shares), consumable stores or raw materials held for the purposes of his business; and
- ☐ personal effects, that is to say, movable property (including wearing apparel, jewelry, furniture, fixture, equipment and vehicles), which are held exclusively for personal use by, and are not used for purposes of the business or profession of the assessee or any member of his family dependent upon him.

Explanation of the phrase 'Property of any kind': As can be seen, the above definition of capital asset is very sweeping nature and covers the property of any kind barring the exceptions mentioned above namely, stock-in-trade, raw materials, movable personal properties, agricultural land within the area as specified. The term "Property of any kind" used in this section are of widest amplitude and include not only tangible assets but also intangible rights. It may be either corporeal or incorporeal. Corporeal means of a material nature i.e., physical things like land, building, shares etc. Not only these assets but non-corporeal assets like route permits for buses, tenancy rights, leasehold rights, copyrights, goodwill, patent, trademarks, franchising, licensing etc. will also be covered under the definition of capital assets. At one end, it includes all types of property-plant-equipment used in business or profession and on the other end, it also includes leasehold rights, goodwill, patent, trademarks, franchising, licensing and all other such assets whether movable or immovable, tangible or intangible, fixed or floating.

Fair Market Value [section 2(48)]

'Fair market value' means the value determined by the Board.

Transfer [section 2(93)]

'Transfer' in relation to a capital asset, includes the sale, exchange or relinquishment of the asset, or the extinguishments of any right therein, but does not include:

- ☐ any transfer of the capital asset under a gift, bequest, will, or an irrevocable trust;
- ☐ any distribution of assets of a company to its shareholders on its liquidation; and
- ☐ any distribution of capital assets on the dissolution of a firm or other association of persons or on the partition of a Hindu Undivided Family.

EXHIBIT

Explanation of the Definitions

9.1

Sale, exchange, or relinquishment of the asset

- **Sale:** There is no definition of sale under the ITA, 2023. To find out legal implication of sale one must resort to the Transfer of Property Act in the case of immovable property and to the Sale of Goods Act in the case of movable property. As per Section 54 of the Transfer of Property Act, 1882, "Sale" is a transfer of ownership in exchange for a price paid or promised or part-paid and part-promised.
- **Exchange:** When two persons mutually transfer the ownership of one thing for the ownership of another, neither thing nor both things being money only, the transaction according to Section 118 of the Transfer of Property Act, 1882 is called an exchange. Like sale, exchange requires two persons. There cannot be exchange with oneself. Exchange is a bilateral transaction involving two parties each of whom owns an asset which constitutes the subject matter of exchange. While in the case of sale, the consideration for transfer is necessarily money, in the case of exchange, the consideration is another asset.
- **Relinquishment of the asset:** Relinquishment means withdrawn from, abandoning, or giving up anything. By relinquishment a person ceases to own the asset concerned through some act on his part. In other words, the owner withdraws himself from the property and abandons his rights thereto. The property, however, continues to exist and will become the property of someone else.

Extinguishments of rights in an asset

Extinguishments connotes total destruction, annihilation, termination or extinction of a capital asset. However, destruction or extinction of capital assets is not regarded as transfer. In fact, there should be a destruction or extinction of "rights" in the capital asset as it may be noticed that in respect of the expression "exchange or relinquishment", the subject matter of transfer is "assets" and in case of "Extinguishment", it is "Rights". Such as,

- Extinguishment of capital rights.
- Cancellation of licenses. Where an assessee abandons a project and relinquishes the lease agreement of land, and industrial license and on that account suffers loss, it would be allowable as capital loss.
- Reduction of share capital of a company and payment to shareholders.

Note: Transfer is important as capital gain arises only on transfer. The definition makes it clear to decide whether transfer took place or not. But regarding the time, it remains silent. In case of immovable property, the transfer takes effect on the date when the deed of transfer is executed but in case of movable property, the transfer takes place on the date when ownership title over the property passes or when the property is physically handed over to the transferee. [C.I.T vs. Bhurangiya Coal Co Ltd (1958)]

9.3

CLO
9.2

BASIS OF CHARGE [SECTION 57]

Tax shall be payable by an assessee under the head 'Capital Gains' in respect of any profits and gains arising from the transfer of a capital asset and such gains shall be the income of the income year in which the transfer took place. If any asset has not been transferred at fair market value as defined in International Accounting Standards or International Financial Reporting Standards, the resulting assumed gain or profit will not be considered as capital gain. Tax shall also be payable by an assessee on "capital gains from the transfer of business or undertaking" in respect of any profits and gains arising from the transfer of business or undertaking in its entirety with all of its assets and liabilities and such profits and gains shall be deemed to be the income of the

- assessee in respect of the income year during which the transfer takes place. Tax liability on capital gain arises only when the following conditions are satisfied:
- Condition 1 There should be a capital asset; [Sec 2(77)]
 - Condition 2 The asset is transferred by the assessee; [Sec 2(93)]
 - Condition 3 Such transfer takes place during the income year; [Sec 59]
 - Condition 4 There must be profits on such transfer as capital gain; [Sec 58(1)]
 - Condition 5 Such profit or gains is not exempted from tax under sections 57, 61(3).

9.4

CL0
9.1
9.2
9.4

COMPUTATION OF CAPITAL GAINS [SECTION 58]

Subject to other provisions of ITA 2023, the capital gain of any person will be the difference between fair market value or transfer value of any asset and cost of acquisition of the asset [section 58(1)]. Fair market value or transfer value will be the value of the consideration received or accruing from the transfer of the capital asset or the fair market value of the asset at the time of transfer, whichever is higher [section 58 (2)(a)]. Cost of acquisition of the capital asset is the total of the following expenses, namely -

- ☐ Expenses solely connected with the transfer of ownership of the capital asset;
- ☐ Original cost of the capital asset;
- ☐ Any cost of capital improvement other than the expenses allowed in sections 38, 42, 49, 50 or 64 [section 58(2)(b)].

If the transferee owns the asset under a deed of gift, bequest or will; or under succession, inheritance or legacy; or under a transfer on a revocable or irrevocable trust; or on any distribution of capital assets on the liquidation of any company; or on the dissolution of a firm or other association of persons or the partition of a Hindu Undivided Family; the fair market value of the asset at the date on which the capital asset become the property of assessee will be the cost of acquisition [section 58 (2)(b)]

Time of Computing Capital Gain [Section 59]

Income arises from the transfer of capital asset should be included in taxable income in the income year when such transfer took place.

Limitations of Allowable Deductions [Section 60]

Expenses will not be allowable for deduction under this chapter if tax is not deducted at source or if deducted taxes are not deposited timely provided that these expenses were subject to tax deducted at sources as per various provisions of the Income Tax Act 2023.



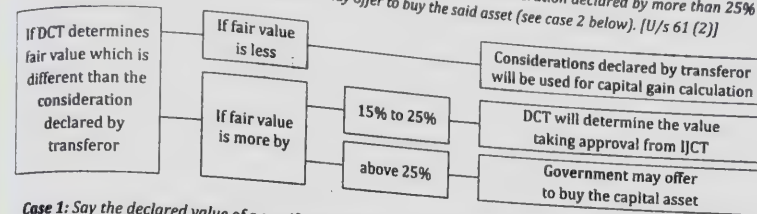
- (a) What are the expenses deductible while calculating capital gain?
(b) Mention capital gain tax rates briefly

EXHIBIT

9.2

Notes to Compute Capital Gain

- If the ownership comes through succession/inheritance/devolution, the cost of acquisition shall be the fair market value at such date when the asset becomes the property of the assessee. [U/s 58 (2)]
- If the DCT opines that the fair market value exceeds the full value of the consideration declared, by an amount of not less than 15% of the value so declared, the fair market value shall be determined again with the permission of Inspecting Joint Commissioner of Taxes (IJCT) (see case 1 below). [U/s 61 (1)]
- If the DCT opines that the fair value exceeds the full value of the consideration declared by more than 25% of such declared value, the Government may offer to buy the said asset (see case 2 below). [U/s 61 (2)]



Case 1: Say the declared value of a specific asset is Tk. 50 thousand whereas the estimated fair value by the DCT amounts to BDT 59 thousand, i.e., more than 15% of declaration. In such a case, DCT may consider the fair value of the asset as BDT 59 thousand for the purpose of calculating capital gains with prior permission from IJCT.

Case 2: Declared value of an asset is Tk. 50,000 whereas the estimated fair value by the DCT amounts to Tk. 65,000, i.e., more than 25% of declaration. In such a case Government may offer to buy the asset.

9.5

CL0
9.5
9.8

TAX RATE (PARA 1, SEVENTH SCHEDULE)

Any income under the head "capital gains" shall be taxed at the rate specified below:

- ☐ In case of company
 - Tax payable @ applicable rate on the total income excluding capital gains;
 - Tax at the rate of 15% on the whole amount of such capital gains.
- ☐ In the case of a person other than a company
 - On disposal of capital assets within 5 years of acquisition, the capital gain will be included with total income and taxed accordingly at regular rate;
 - On disposal of capital assets after 5 years of acquisition, tax payable on the capital gains will be at the rate of 15% on the capital gains.

9.6

CL0
9.5
9.8

APPORTIONMENT OF SALE PROCEEDS

If capital gain arises in the hand of persons other than company, capital gain tax rates vary depending of the period of disposal. In such cases, sale proceeds may need to divide proportionately if the date of initial purchase of capital assets and the date of capital improvements on the same assets fall in different periods.

Example: Mr. Jamil had purchased a building paying Tk. 8,000,000 on July 1, 2015. He had spent Tk. 2,000,000 for renovation of the house on July 1, 2022. On July 1, 2023, he has sold the building for Tk. 15,000,000. His capital gain from this transaction amounts to Tk. 5,000,000 which should be distributed proportionately as below

Sale Proceeds	Cost	Capital Gain	Capital Gain Tax Rate
80% 12,000,000	8,000,000	4,000,000	15% as it exceeds 5 years
20% 3,000,000	2,000,000	1,000,000	Regular rate as it doesn't exceed

EXHIBIT

Computing Tax Liability

9.3

Case 1: ACI Ltd.'s total income is Tk. 500,000 (inclusive of Tk. 50,000 capital gain) for the current income year. ACI's tax liability assuming 22.5% company tax rate is: tax on income other than capital gain (Tk. 450,000 @ 22.5%) = Tk. 101,250 plus tax on capital gain (Tk. 50,000 @ 15%) = Tk. 7,500. Total tax liability is Tk. 108,750.

Case 2: Mr. Tanvir's total income is Tk. 750,000 (inclusive of Tk. 50,000 capital gain) for the current income year. If disposal of capital assets has done within 5 years of acquisition. His tax liability is - on first Tk. 350,000 @ 0% (i.e., nil), on next Tk. 100,000 @ 5% (i.e., Tk. 5,000) and on the rest Tk. 300,000 @ 10% (i.e., Tk. 30,000). Total tax liability on total income is (Tk. 5,000 + Tk. 30,000) = Tk. 35,000.

Case 3: The details of total income and capital gain of two assessee for the current income year are given below. Compute tax liability if disposal of capital assets has done after 5 years of acquisition.

Mr. Javed : Total income (including capital gain of Tk. 100,000) is Tk. 550,000.
Mr. Abrar : Total income (including capital gain of Tk. 100,000) is Tk. 50,50,000.

Mr. Javed: Tax liability on total income (including capital gain): [(Tk. 3.5 lac × 0%) + (Tk. 1 lac × 5%) + (Tk. 1 lac Capital Gain × 15%)] = Tk. 20,000. Capital gain is taxed at 15%, and remaining income is taxed at regular rate.

Mr. Abrar: Tax liability on total income (including capital gain):

On first	on next	on next	on next	on next	on next	Total
Tk. 3,50,000	Tk. 1,00,000	Tk. 3,00,000	Tk. 4,00,000	Tk. 5,00,000	Tk. 33,00,000	Tk. 49,50,000
0%	5%	10%	15%	20%	25%	
Nil	Tk. 5,000	Tk. 30,000	Tk. 60,000	Tk. 100,000	Tk. 825,000	Tk. 10,20,000

On 100,000 capital gain @ 15% = Tk. 15,000. Thus, total tax payable will be Tk. 10,35,000 on total income of Tk. 50,50,000.



- (a) In what situations, you may have loss under the head capital gain?
(b) What is the condition of carry forward of losses under the head?

9.7

CLD
9.3
9.8

TAX EXEMPTED CAPITAL GAINS

Chapter - 9 Capital Gain

Capital gains are exempted from taxes in following cases.

- Capital gain arising from the transfer of capital asset in a scheme of amalgamation [Eighth Schedule, Part I, Para 2]
- Capital gain of a firm arising from transfer of its capital asset to a new company [section 61(3)] If capital gain arises from the transfer of capital assets of a firm to a new company and if the whole amount of capital gain is invested in the equity of the said company by the partners of the said firm.
- Capital gain arising from the transfer of Securities approved by SEC and traded in Stock Exchanges in some specific cases [SRO 196/1/IT/2015 dated 30/06/2015]: If capital gain arises from the transfer of securities approved by Securities and Exchange Commission (SEC) and traded in Stock Exchanges (e.g., shares, stocks, mutual fund units, bond, debenture or any other types of securities but not government securities in Bangladesh) by any party other than the parties on whom tax is imposed.
- Capital gain received by a partner from firm if firm paid taxes on such capital gain [Sixth Schedule, Part I, Para 15]

9.8

CLD
9.1
9.8

CARRY FORWARD OF LOSS [SECTION 70]

In exceptional situation, it may result capital loss. If the asset is transferred at a value less than the cost of acquisitions, there may be capital losses. It is customary if the capital asset is sold in the year of purchase where no depreciation allowance is allowed and the second-hand value in the market becomes less than the cost in most types of assets. Section 70 provides the provisions for the set-off and carry forward of losses under the head "Capital gains". If capital loss arises in any income year -

- It can be set off in the same year against capital gain from other capital asset.
- and if no other capital gain exists or if the other capital gain is not sufficient, such loss can be carried forwarded up to a period of six (6) successive years.

EXHIBIT

9.4

Computing Capital Gain

Consideration received from transfer of Capital Assets Or, Fair Market Value at the Time of Transfer, Disposal Value, whichever is higher	XX	<ul style="list-style-type: none"> Expenditure incurred to transfer the capital asset(s) Cost of Acquisition Capital expenditure for improvement of the asset(s)
Less: Allowable deductions	XX	
Less: Tax-exempted capital gain [sec 61(3)]	XX	
Capital Gain Assessed	XX	

SOLVED PRACTICAL CASES (SPC)

SPC
9.1

PERSONAL ASSET, ASSET EXTENSION AND IMPROVEMENT, SHARE SALE

Mr Dixon has incurred the following transactions relating to capital gain during the current year ended on June 30. You are asked to calculate the amount of capital gain for the purpose of charging income tax thereon in each of the independent situation:

- He has sold a motorcar at Tk. 550,000 that he purchased in 2018 at a cost of Tk. 400,000 and used solely for personal purposes.
- Sale of a 3-storied building for Tk. 3,000,000 in December 2024, which was purchased in March 2012 for Tk. 1,800,000. In January 2022, the building was extended at a total cost of Tk. 500,000. The fair value of the building in December 2024 was Tk. 3,200,000.
- Sold an agricultural land situated in Comilla at a total price of Tk. 2,500,000 which was purchased 5 years back at a total price of Tk. 1,100,000.
- Sold 100 shares of Prime Bank @ Tk. 600 in DSE (brokerage commission 1% of the proceeds). The acquisition price was @ Tk. 200 (brokerage commission 1%).
- Sold a machine, purchased at a price of Tk. 80,000 for the purpose of his business, at a price of Tk. 150,000 at fair market value. Another Tk. 30,000 was spent to improve the machine. At the time of sale, the machine had accumulated depreciation amounting to Tk. 60,000.

Solution

- As the motorcar is a movable property and used exclusively for personal purposes, it does not fall under the category of capital asset as per section 2(77). So, there is no need to calculate the chargeable capital gain.
- Calculation of capital gain from the sale of building: Sale proceeds or fair market value whichever is higher Tk. 3,200,000 less cost of acquisition Tk. 1,800,000 less cost of extension Tk. 500,000. Therefore, capital gain is Tk. 900,000.
- Capital gain will be $(\text{Tk. } 2,500,000 - \text{Tk. } 1,100,000) = \text{Tk. } 1,400,000$.
- The capital gain from the sale of shares is sale proceeds of the shares (100 shares @ Tk. 600) Tk. 60,000 less brokerage commission on sale 1% Tk. 600 less cost of acquisition (100 shares @ Tk. 200) Tk. 20,000 plus brokerage commission on purchase 1% Tk. 200. So, capital gain is Tk. 39,200 and the total amount of this capital gain is exempted from tax.
- Calculation of capital gain from the sale of building: Sale proceeds or fair market value whichever is higher Tk. 150,000 less Cost of Acquisition Tk. 80,000 less Cost of improvement Tk. 30,000. Therefore, Capital Gain is Tk. 40,000.

SPC
9.2

BROKERAGE FEE, ASSET RENOVATION, EARNST MONEY

Mr. Zaman purchased an old house in Dhaka in November 2020 for Tk. 15 lac. He has paid 1% as brokerage and subsequently spent Tk. 5 lac for the renovation of the house. On 1st July 2023 he entered into an agreement to sell the property to Mr. Kamran for a consideration of Tk. 50 lac and received earnest money (advance) of

Chapter - 9 Capital Gain

Tk. 1 lac. As per the terms of the agreement, the balance payment should be made within 90 days of the agreement and if not, the earnest money will be forfeited. As Mr. Kamran could not make the payment within the stipulated time the earnest money was forfeited by Mr. Zaman. Subsequently on 10th June 2024, Mr. Zaman sold the house to Mr. Tareq for Tk. 55 lac. He paid 2% brokerage on sale of the house on which tax has been deducted at sources. The fair value of the house on the date of sale was Tk. 52 lac. Calculate taxable capital gains for the current income year.

Assessee: Zaman

Assessment Year: 2024 - 2025

Income Year: 2023 - 2024

Income under Capital Gains (section 57)

Disposal value (workings 1)

Less: Allowable deductions (workings 2)

Capital gain

Tk. 5,600,000

2,125,000

Tk. 3,475,000

Workings 1: Disposal value

Value of consideration (note 1)

FMV at the time of transfer

Tk. 5,600,000

5,200,000

Tk. 5,600,000

Workings 2: Allowable deductions

Brokerage fee for sale (note 2)

Cost of acquisition (note 3)

Cost of improvements of the asset

Tk. 110,000

1,515,000

500,000

Tk. 2,125,000

Notes: (1) Full value of consideration received against the capital asset includes the forfeited amount of Tk. 100,000 (2) 2% of Tk. 5,500,000 (3) $1,500,000 + (1,500,000 \times 1\%)$.

SPC
9.3

TRANSFER OF MEMBERSHIP, SPONSOR DIRECTOR

Mr. Jonathon purchased membership of Dhaka Stock Exchanged at a price of Tk. 20 lac in 2015. On 1st July 2023 he has converted his membership into a Company registered under the Company Act, 1994. The conversion value of such membership was Tk. 8,000,000 having 80,000 shares of Tk. 100 par value per share. In December 2022, he sold 10,000 shares of the company at a total value of Tk. 1,100,000.

Tax implications of the case are as follows.

- ☐ Stage 1: Capital gain at the time of transfer of membership is Tk. 6,000,000 (80 lac - 20 lac). But this gain would not be taxed as the whole amount has been invested into the equity of a company registered under the Company Act, 1994.
- ☐ Stage 2: Computation of capital gain from the sale of shares: Sale proceeds of shares Tk. 11 lac less cost of acquisition $[(20 \text{ lac} \div 80,000) \times 10,000]$ Tk. 250,000; therefore, taxable capital gain is Tk. 850,000 on which applicable tax rate is 5%, as he is a sponsor director.

SPC
9.4

BALANCING CHARGE, DISPOSING ASSETS WITHIN FIVE YEARS

Mr. Andaleeb has purchased a machine at a total cost of Tk. 500,000 on 23rd April 2022 for the purpose of his profession. In addition, he has paid Tk. 10,000 as legal fees. He has spent an additional sum of Tk. 50,000 for improvement of the machine. On 30th December 2023, he had sold the machine at a total price of Tk. 600,000 when

the balance of allowable accumulated depreciation was Tk. 126,000 in his books of accounts. But the fair market value (FMV) on that date amounts to Tk. 650,000 in the opinion of DCT.

He incurred advertisement cost of Tk. 20,000 and 1.5% as brokerage commission on the sale value. Tax has been duly deducted at sources from these expenses. He has taxable income of Tk. 230,000 from other sources. Compute capital gain, total taxable income, and specify tax rate thereon.

Assessee: Andaleeb	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Particulars of Total Income	Section	Amount
Income from business (note 1)	45	Tk. 126,000
Income under capital gain (workings 1)	57	61,000
Income from other sources	66	230,000
Total income		Tk. 417,000

Workings 1: Income under Capital Gains

Disposal value (workings 2)

Less: Allowable deductions (workings 3)

Capital gain

Tk. 650,000

589,000

Tk. 61,000

Workings 2: Disposal value

Sale Proceeds

FMV at the time of transfer

Tk. 600,000

650,000

Disposal value (higher one)

Tk. 650,000

Workings 3: Allowable deductions

Cost of transfer (note 2)

Tk. 29,000

Cost of acquisition (note 3)

510,000

Cost of improvements of the asset

50,000

Tk. 589,000

Notes: (1) Balancing charge or revenue gain on sale of machinery. Taka 126,000 [net sale proceeds (650,000 - 29,000) Tk. 621,000 less written down value (500,000 + 10,000 - 50,000 - 126,000) Tk. 434,000; net gain on sale of machine Tk. 187,000 out of which capital gain is Tk. 61,000. Therefore, balancing charge is Tk. 126,000 (2) Expenditure incurred to transfer the capital asset. Tk. 29,000 (advertisement Tk. 20,000 + commission 1.5% of Tk. 600,000) (3) cost of acquisition is Tk. 510,000 (including cost Tk. 500,000 + legal fees Tk. 10,000).

In this case, tax will be applied at regular rate, as Mr. Andaleeb is a person other than a company disposed the asset within five years.

SPC
9.5

TRANSFER OF LAND PROPERTY FOR FLATS

Mr. Rex purchased a land in January 2010 at a total cost of Tk. 1,000,000 and constructed a building over the land at a total cost of Tk. 1,500,000 that was solely used for his business. The current fair market value of the land is Tk. 9,800,000. In July 2023, he entered into an agreement with Fortune Properties Ltd and as per the agreement he would get 4 out of 20 flats that the developer would construct. Total value of those four flats is Tk. 6,880,000. Compute taxable capital gain for Mr. Rex.

Assessee: Rex

Assessment Year: 2024 - 2025

Chapter - 9 Capital Gain

Income under Capital Gains (section 57)

Disposal value (workings 1)

Less: Allowable deductions (workings 2)

Capital gain

Income Year: 2023 - 2024

Amount

Tk. 9,800,000

2,500,000

73,00,000

Workings 1: Disposal value

Sale Proceeds

FMV at the time of transfer

Disposal value (higher one)

9,800,000

Tk. 9,800,000

Workings 2: Allowable deductions

Cost of acquisition: Land

Tk. 1,000,000

Building

1,500,000

2,500,000

SPC
9.6

TRANSFER OF BUSINESS OR UNDERTAKING

Mr. Akif Joarder owns a sole proprietorship business. On June 30, 2024, his balance sheet has reported the following assets and liabilities:

Asset	Amount (Tk.)	Liabilities and Equity	Amount (Tk.)
Fixed Assets:		Long Term Liability:	
Land		Mortgage Loan	1,000,000
Building	5,00,000	Short Term Liability:	
Delivery Van	800,000	Accounts Payable	500,000
Current Assets:	700,000	Salary Payable	100,000
Cash	100,000	Utilities Payable	300,000
Inventories	400,000	Insurance Payable	100,000
Accounts Receivable	500,000	Owner's Equity	1,000,000
Total Assets	3,000,000		3,000,000

Mr. Akif performed the following during the year.

- ☐ He transferred the business to Mr. Kashem Halder for Tk. 2,000,000 on June 30, 2023.
- ☐ He has paid Tk. 100,000 to Aroma Consultant to support the transfer facilities legally. Tax has been duly deducted from Aroma Consultant for the consultancy fees.

However, the Deputy Commissioner of Taxes believes that the fair market value of the business as on the date of transfer would be Tk. 3,000,000.

Assessee: Mr. Akif Joarder

Assessment Year: 2024 - 2025

Income Year: 2023 - 2024

Income under Capital Gains (section 57)

Disposal value (workings 1)

Less: Allowable deductions (workings 2)

Capital gain

Amount

Tk. 3,000,000

1,100,000

1,900,000

Workings 1: Disposal value
 Value of consideration
 FMV of the business
 Disposal value (higher one)

Tk. 2,000,000
Tk. 3,000,000
Tk. 3,000,000

Workings 2: Allowable deductions

Expenditure for transfer
 Book value of net asset

Tk. 100,000
1,000,000
1,100,000



INVESTOR OF DHAKA STOCK EXCHANGE

Mr. Boucher is a regular investor of Dhaka Stock Exchange (DSE) Limited. In July 2016, he has purchased 5,000 shares of Tk. 1,000 par value of IBBL @ Tk. 1,575. Brokerage charge on that time was 1.5% on the gross value of the shares traded. In March 2020, Islami Bank declared a cash dividend of Tk. 10 per share and a 1 for 5 stock dividends when the market value of such shares was Tk. 1,800 each. In December 2023, Mr. Boucher sold 2000 shares including all of the shares that he received as bonus share in 2020 @ Tk. 2,000. On the date of sale, the brokerage charge was 1% on the gross value of shares traded.

Compute the amount of Capital Gain from the sale of shares.

Assessee: Rex Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Income under Capital Gains (section 57)

Disposal value (workings 1)
 Less: Allowable deductions (workings 2)
 Less: Exempted (note 1)
 Capital gain (note)
 Tax value of new asset (note)

Amount
Tk. 4,000,000
1,638,625
2,361,375
Nil
Nil

Workings 1: Disposal value

Sale Proceeds (2,000 × 2,000)
 FMV at the time of transfer
 Disposal value (higher one)

Tk. 4,000,000
4,000,000
Tk. 4,000,000

Workings 2: Allowable deductions

Cost of transfer (note 2)
 Cost of acquisition (note 3)

Tk. 40,000
1,598,625
1,638,625

Notes: (1) Capital gain on transfer of shares (whether purchased or bonus) is full exempted for an individual investor. (2) Brokerage charge, 1% of 4,000,000 (3) total number of shares sold is 2,000. Number of bonus shares received in March 2020 is 1,000 (5,000/5). So, number of shares sold from original purchase is 1,000 (2,000 - 1,000). Cost of 5,000 shares purchased in July 2016 was 7,993,125 as Market value of shares (Tk. 1,575 × 5000 shares) Tk. 7,875,000 plus brokerage commission (1.5% on 7,875,000) Tk. 118,125. As, cost of 1,000 bonus was nil, proportionate cost of 1,000 shares is Tk. 1,598,625.



COMPREHENSIVE PROBLEM

Mr. Hasan runs a business of his own. He has purchased plant and machinery at a cost of Tk. 10,000,000 on 01.01.16. He has paid finders' fee Tk. 50,000 and legal fees Tk. 120,000. He has sold the plant and machinery on 15.07.23 for Tk. 22,000,000. For the sale, he has to pay brokerage fee @ 2% on the gross sales amount receipt. In DCT's

opinion, the fair market value (FMV) of the asset at the time of sale is Tk. 20,000,000.

On 30.06.2024 he has purchased another plant and machinery at a cost of Tk. 10,000,000. He also had Tk. 400,000 as taxable income from rent and another Tk. 200,000 taxable income from other sources.

Compute capital gain and tax liability.

Assessee: Hasan Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Particulars of Total Income

	Section	Amount (Tk.)
Income from rent	36	400,000
Income under capital gain (workings 1)	57	11,390,000
Income from other sources	66	200,000
Total income		11,990,000

Workings 1: Income under Capital Gains

Disposal value (workings 2) 22,000,000
 Less: Allowable deductions (workings 3) 10,610,000
 Capital gain 11,390,000

Workings 2: Disposal value

Sale Proceeds
 FMV at the time of transfer
 Disposal value (higher one)

Tk. 22,000,000
20,000,000
Tk. 22,000,000

Workings 3: Allowable deductions

Cost of transfer (note 1) Tk. 440,000
 Cost of acquisition (note 2) 10,170,000
 10,610,000

Notes: (1) Brokerage fees 2% of 22,000,000 (2) cost of acquisition, Tk. 10,170,000 (cost 10,000,000 + finders' fees 50,000 + reg. Fees 120,000) (3) The plant and machinery are qualified as capital asset.

Computation of tax

	Amount	Rate	Tax Payable
On First Taka	350,000	Nil	-
On Next Taka	100,000	5%	Tk. 5,000
On Balance Taka	150,000	10%	15,000
On Capital Gain	11,390,000	15%	1,708,500
Total	11,990,000		1,728,500

* Here, the assessee is a person other than a company and the asset is sold after 5 years of purchase. So, tax rate will be 15% flat rate.

KEY POINTS

- Capital gain basically arises on transfer of capital asset if transferred at a value more than the original costs.
- Capital gain from transfer of share/stocks is exempted from income tax.
- If the ownership comes through succession, inheritance, or devolution, the cost of acquisition shall be the fair market value at such date when the asset becomes the property of the assessee.
- Transfer of capital asset as gift, bequest, will, or an irrevocable trust is not taxable.
- In case of a person other than a company, on disposal of capital assets within 5 years of acquisition, the amount of capital gain will be included with the total income and taxed accordingly at regular rate. Else, it will be at 15%.
- In case of a company tax rate on capital gain is 15%.
- No tax will be charged if capital gain arises from the transfer of capital assets being government securities and stocks and shares of public companies listed with a stock exchange in Bangladesh.
- No tax will be charged if capital gain arises from the transfer of capital assets of a firm to a new company and if the whole amount of capital gain is invested in the equity of the said company by the partners of the said firm.
- Capital losses cannot be set off with income from other head(s).
- Capital losses can be carry forwarded for 6 successive years.

MULTIPLE CHOICE QUESTIONS

1. Capital assets exclude –
 - (a) Agricultural land (b) Machinery (c) Residential building (d) Stock-in-trade
2. Which one is not a transfer for the purpose of capital gain calculation? –
 - (a) Transfer on liquidation (b) Compulsory acquire of the government
 - (c) Sale in open market (d) Auction sale
3. What are the allowable deductions for computing capital gain? –
 - (a) Cost of acquisition (b) Cost of improvement
 - (c) Cost incurred to make it saleable (d) All of the above
4. The applicable tax rate on capital gain for a company is –
 - (a) 15% (b) 25% (c) 30% (d) 40%
5. Capital gain arising from the sale of _____ is tax exempted for an individual? –
 - (a) land (b) plant and machinery used for business
 - (c) shares of publicly traded companies (d) building
6. Which of the following statement is true –
 - (a) No tax is applicable on capital gain for an individual assessee
 - (b) 15% tax will be charged on capital gain for a company
 - (c) Tax will be charged at an average rate on capital gain for an individual assessee
 - (d) Capital gain is the difference between sales proceeds and WDV
7. What is the rate of tax on capital gain for an individual if the gain arises within 5 years of acquisition –

Chapter - 9 Capital Gain

- (a) 15%
8. when the loss under the head capital gain is Tk. 5,000
 - (b) Average rate (c) Lower of a and b (d) None of the above
 - (a) Tk. 5,000 (b) Tk. 3,000 (c) Tk. 7,000, how much of it can be carried forward –
9. How long the losses under the head capital gain can be carried forward –
 - (a) 6 years (b) 4 years (c) 2 years (d) Tk. 1,000
10. Losses under the head capital gain can be set off against income from –
 - (a) any other head(s) (b) house property (c) business (d) Next year only
 - (d) no other head(s)

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Capital gain arises from transfer of capital assets at higher than written down value.
2. Government may acquire the asset if the fair market value exceeds the full value of the consideration declared by more than 15% of such declared value.
3. In case of an individual, capital gain will be taxed at regular rate if the asset is disposed within 5 years of acquisition.
4. Capital loss can only be carried forward if the total loss exceeds by taka 5,000.
5. If the ownership comes through succession, inheritance, or devolution, the cost of acquisition shall be the fair market value of the asset.

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DISCUSSION QUESTIONS (DQ)

- DQ9.1 Define capital gain and explain computation procedure of capital gain.
- DQ9.2 'Capital Asset' means property of any kind held by the assessee, whether or not connected with his business or profession, but does not include all assets" – explain.
- DQ9.3 Explain the allowable deductions under the head capital gain.
- DQ9.4 "In computing capital gain, fair market value is important" – do you agree? Explain.
- DQ9.5 Under what circumstances do you think capital gains are exempted from taxes?
- DQ9.6 "Tax rate on capital gain varied with different types of assessee" – explain.
- DQ9.7 Specify the provisions of set off and carry forward of losses under the head "Capital Gain".
- DQ9.8 Write short note on: ☐ Capital assets ☐ Transfer ☐ Fair market value ☐ Carry forward of losses under the head capital gain

PROBLEM CASES (PC)

PC9.1: Fill in the blanks with appropriate word:

- If the fair market value exceeds the full value of the consideration declared in respect of capital asset transferred, by an amount of not less than _____ of the value so declared, the fair market value shall be determined again with the permission of IJCT.
- In case of an individual, capital gain will be taxed at _____ if the asset is disposed after 5 years of acquisition.
- If any asset is transferred at a value less than the cost of acquisitions, there may be the possibility of having capital _____.
- Capital loss can be carried forward for not more than _____ successive years.

PC9.2: Mr. Ahsan is a member of Dhaka Stock Exchange who purchased such membership at a price of Tk. 300,000 in 2010. On 1st July 2017 he has converted his membership into a Company registered under the Company Act, 1994. The conversion value of such membership was Tk. 8,000,000 having 80,000 shares of taka 100 par value per share. In July 2023, he sold 1,000 shares of the company at a total value of Tk. 150,000. Discuss the tax implications.

PC9.3: Mr. Rahman has purchased a machine at a total cost of Tk. 800,000 on 23rd April 2016 for his profession. In addition, he has to pay Tk. 50,000 as legal fees. He has spent an additional sum of Tk. 50,000 for improvement of the machine. On 30th December 2023, he had sold the machine at a total price of Tk. 1,000,000 when the balance of allowable accumulated depreciation was Tk. 400,000 in his books of accounts. But the fair market value on that date was Tk. 950,000 in the opinion of DCT. He incurred advertisement cost of Tk. 70,000 and 1.5% as brokerage commission on the sale value in relation to the sale. He has taxable income of Tk. 330,000 from other sources. Compute taxable income and specify tax rate thereon.

PC9.4: Mrs. Joarder runs a business of her own. She has purchased a piece of land at a cost of Tk. 90 lac on 01.01.12 within the jurisdiction of Khulna Municipality having a total population of around 30,000 according to the last census. She paid Tk. 30,000 as finders' fee and another Tk. 100,000 as registration fee for the land. She has sold the land on July 15, 2023 at a price of Tk. 20,000,000. For the sale, she has to pay brokerage fee @ 2% on the gross sales amount receipt. In DCT's opinion, the fair market value of the land at the time of sale is Tk. 18,000,000. On July 30, 2023, she has purchased another land at a cost of Tk. 10,000,000. She also had Tk. 400,000 as taxable income from rent and another Tk. 100,000 taxable income under the head, 'income from other sources'. Compute the amount of capital gain and tax liability.

PC9.5: Mr. White is a regular investor of Chittagong Stock Exchange (CSE) Limited. In July 2011, he has purchased 50,000 shares of Tk. 100 par value of EXIM Bank Ltd @ Tk. 475. Brokerage charge on that time was 1.5% on the gross value of the shares traded. In March 2013, EXIM Bank declared a cash dividend of Tk. 10 per share and a 1 for 4 stock dividends when the market values of such shares were Tk. 600 each. In December 2023, Mr. White sold 15,000 shares including all of the shares that he received as bonus share in 2013 @ Tk. 800. On the date of sale, the brokerage charge was 1% on the gross value of shares traded. Compute the capital gain.

PC9.6: Mr. Jalil lives in Mirpur, Dhaka. He works in a private limited company from which his total salary income is Tk 200,000. He also owns a house from which his income is Tk. 300,000. He runs a business of his own. He has purchased a Machine at a cost of Tk. 20,00,000 on 01.01.16. He has paid agents fee Tk. 50,000 in this regard. He has sold the machinery on 15.07.23 for Tk. 25,00,000. For the sale, he has paid brokerage fee @ 2% on the gross sales amount receipt. In DCT's opinion,

the fair market value (FMV) of the asset at the time of sale is Tk. 26,00,000. He also had Tk. 200,000 as taxable income from interest on securities and another Tk. 100,000 taxable income from other sources. Compute capital gain and tax liability.

PC9.7: Mr. Latif has two motor cars which are used by him exclusively for his personal purposes. The cost of the cars was Tk. 6,50,000 and Tk. 8,00,000. The first car was transferred by him on 15.1.2024 to a firm in which he is a partner as his capital contribution. The market value of the car as on 15.1.2024 is Tk. 5,00,000, but it was recorded in the books of account of the firm at Tk. 6,00,000. Compute the Capital Gain if any, chargeable for the A.Y. 2024-25.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10	TRUE/FALSE				
d	a	d	a	c	b	a	c	a	d	1	2	3	4	5
										F	F	T	F	T

SELF – REVIEW 9.1

- (a) The following expenses are allowable deductions under the head:
- ☐ Any expenses incurred for the transfer of capital asset;
 - ☐ The cost of acquisition of capital assets and other capital expenditure incurred for improvements thereto.
- (b) Capital gain is charged at different rate as given in the seventh schedule of IT Act, 2023. The rates as per the schedule are given below:
- ☐ For assessee being a company – at the rate of 15%
 - ☐ For assessee being a person other than a company –
 - if disposed within 5 years of acquisition, will be taxed at regular rate
 - if taxed after 5 years, the rate will be the lower of regular or 15%

SELF – REVIEW 9.2

- (a) Loss under the head 'capital gain' is somewhat exceptional. If capital assets are transferred at a value less than the cost of acquisition, it results capital loss. It is customary to have capital loss under the following two situations:
- ☐ If the capital asset is sold as second hand in the year of purchase when no depreciation allowance is allowed; and
 - ☐ If motor vehicles not plying for hire is purchased at more than ten lakh taka as the actual cost shall be deemed not to exceed ten-lakh taka for the purpose of depreciation allowance.
- (b) Such loss can be carried forward for 6 successive years for set off only against the income from such head.

10

Income from Financial Assets

"Where there is an income tax, the just man will pay more and the unjust less on the same amount of income."

— Plato

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

- CLO 10.1 understand the concept of income from financial assets
- CLO 10.2 identify different types of securities
- CLO 10.3 apply taxability on different types of securities
- CLO 10.4 recognize various categories of savings instruments
- CLO 10.5 apply TDS on income from the interest on securities
- CLO 10.6 chargeability of tax on interest / profit on deposit
- CLO 10.7 chargeability of tax on dividend
- CLO 10.8 compute tax liability on income from fin. assets

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.

Dimensions		Knowledge			
Cognitive process	Remember	<i>List</i>	<i>Recognize</i>	<i>Recall</i>	<i>Identify</i>
	Understand	<i>Summarize</i>	<i>Classify</i>	<i>Clarify</i>	<i>Predict</i>
	Apply	<i>Respond</i>	<i>Provide</i>	<i>Carry out</i>	<i>Use</i>
	Analyze	<i>Select</i>	<i>Differentiate</i>	<i>Integrate</i>	<i>Deconstruct</i>
	Evaluate	<i>Select</i>	<i>Determine</i>	<i>Judge</i>	<i>Reflect</i>
	Create	<i>Generate</i>	<i>Assemble</i>	<i>Design</i>	<i>Create</i>
		<i>Factual</i>	<i>Conceptual</i>	<i>Procedural</i>	<i>Metacognitive</i>

10.1

CLO
10.1

INTRODUCTION

Chapter – 10 Income from Financial Assets

"Income from Financial Assets" is the sixth head in computing the total income of an assessee. An assessee may invest his funds in various types of securities, shares, different schemes in bank and financial institutions. The income received as interest from those securities and financial schemes, dividend etc. will be taxable under the head income from financial assets. ITA 2023 defines the following in this regard.

Securities

The Shorter Oxford English Dictionary defines the word "security" as a "document held by a creditor as guarantee of his right to payment". Thus, securities are financial instruments that represent a creditor relationship with a corporation or government. These represent agreements to receive a certain amount depending on the terms contained within the agreement. According to section 2(87) of the Income Tax Act (ITA), 2023 – 'Securities' means –

- Any Treasury Bill, Bond, Savings Certificate, Debenture, Sukuk or Shariah based securities issued by the government;
- Any Shares or Stock, Instruments issued against Mortgage or Charge or Hypothecation, Bond, Debenture, Derivatives, Units of Mutual Fund or Alternative Investment Fund or any Joint Investment Scheme, Sukuk or Shariah based securities and warrant in respect of the above-mentioned instruments issued by any company or legal entity or issuer.

Provided that, it shall not include any currency or note, draft, check, letter of exchange, bank's acceptance letter, trade receivables or trade payables.

Interest

Generally, the term "Interest" means the price that someone pays for the temporary use of someone else's funds. According to section 2(88) of the Income Tax Act (ITA), 2023 – "Interest" means –

- interest payable in any manner in respect of any financial support, e.g. loan, borrowings, trade credit, advances, securities or guarantee;
- any service fee or other charge in respect of the money borrowed or debt incurred.

But the costs incurred for collecting the money or capital will not be included here.

Dividend

Generally, the term "Dividend" refers to a reward, cash or otherwise, that a company gives to its shareholders out of its profits (or reserves). According to section 2(81) of the Income Tax Act (ITA), 2023 – 'Dividend' includes –

- *Distribution out of profits and release of assets or reserves:* Any distribution by a company of accumulated profits, whether capitalized or not, if such distribution entails the release by the company to its shareholders of all or any part of its assets or reserves;

- *Distribution of debentures to shareholders:* Any distribution by a company, to the extent to which the company possesses accumulated profits, whether capitalized or not, to its shareholders of debentures, debenture-stock or deposit certificates in any form, whether with or without interest;
- *Distribution on liquidation of the company:* Any distribution made to the shareholders of a company on its liquidation to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalized or not;
- *Distribution on liquidation of the company:* Any distribution made to the shareholders of a company on its liquidation to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalized or not;
- *Distribution on the reduction of capital:* Any distribution by a company to its shareholders on the reduction of its capital, to the extent to which the company possesses accumulated profits, whether such accumulated profits have been capitalized or not;
- *Profit remitted outside Bangladesh* by a company not incorporated in Bangladesh under The Company Act 1994;
- *Distribution of Profit of a Mutual Fund, Real Estate Investment Trust, Exchange Traded Fund or Alternative Investment Fund;*
- *Loans to shareholders of a limited company:* any payment by a company of any sum (whether as representing a part of the assets of the company or otherwise) by way of advance or loan to a shareholder or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company, in either case, possesses accumulated profit;

The term "Dividend" does not include the following items:

- a distribution made in accordance with sub-clause (c) or sub-clause (d) in respect of any share including preference share for full cash consideration, or redemption of debentures or debenture-stock, where the holder of the share or debenture is not entitled in the event of liquidation to participate in the surplus assets;
- any advance or loan made to a shareholder in the ordinary course of its business, where the lending of money is a substantial part of the business of the company;
- any dividend paid by a company which is set off by the company against the whole or any part of any sum previously paid by it and treated as dividend with the meaning of sub-clause (g) to the extent to which it is to set off.
- any bonus share issued by a company;

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SCOPE OF "INCOME FROM FINANCIAL ASSETS"

According to section 62 of the ITA, 2023, the following incomes of an assessee shall be classified and computed under the head 'Income from Financial Assets'.

- Interest, Profit, or Discount receivable by the assessee on any security of the Government or any security approved by Government [section 62(a)];
- Interest, Profit, or Discount receivable by the assessee on debentures or other securities of money issued by or on behalf of a local authority or a company [section 62(b)];
- Interest or Profit receivable from the following sources, namely:

- Any deposit kept in any form/name, in a bank or financial institution;
- Any financial asset, product or scheme;
- Dividend

Chapter – 10 Income from Financial Assets

Any capital gain received against the transfer of financial assets shall not be included under the head 'Income from Financial Assets'. When these securities are sold, any gain or losses from such disposal will be considered as capital gain or loss; hence this will not be recorded under the head "Income from Financial Assets". Rather, any gain from such event will be recorded under the head "Capital gain" [Central Exchange Bank Ltd. Vs. C.I.T. (1955) I.T.R. 167].

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10.3

BASIS OF TAXATION

According to section 63 of the ITA, 2023, for the tax purpose, income from financial assets will be taxed in the year of actual receipt or year when it is credited into accounts, whichever happens first. Although interest receivable indicates gross interest calculated on the face value of security, the assessee receives net interest, i.e., gross interest less source tax deducted at specified rate.

As income from financial assets is a separate head of income, therefore, even if the securities are held as trading assets within the course of any business undertaken by a bank, an insurance company, a leasing company or a stockbroker, the interest must be charged under the head "Income from Financial Assets" and not under section 45 as income from business or under section 66 as income from other sources.

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CONDITIONS FOR TAXATION

According to section 62 of the ITA, 2023, the following conditions should be met in order to be termed as an income under the head "Income from Financial Assets".

- Income must be received as interest, Profit, Discount, or Dividend;
- The income must be from securities issued or approved by the government;
- Other than the government securities, income must be received from debentures or securities issued by local authorities and companies;
- Interest must be received from deposits kept in banks or financial institutions; and
- Dividend within the meaning under section 2(81).

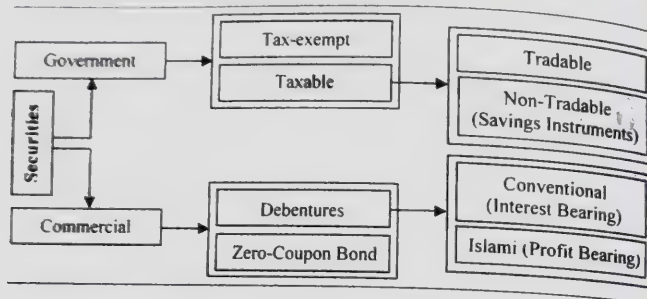
The following incomes will not be considered as income from financial assets, rather will be included under the head "Income from Other Sources".

- Investment income except from securities of government or commercial projects.
- Interest on capital and loan from a person or partnership business.
- Interest on securities issued by any individual, Partnership Firm, Association of Persons (AOP), Club etc.
- Gain on sale of securities.
- Interest receivable from securities issued by any foreign government.
- Interest received from a company on a Book-Debt/accounts receivable balance.

10.5 CLASSIFICATION OF SECURITIES

CLO
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According to section 62 of the ITA, 2023, securities can be broadly categorized into two categories: government and commercial securities. Government securities can be classified as tax-exempt and taxable government securities. The securities other than government securities are known as commercial securities. In Bangladesh, two types of commercial securities are issued by local authorities and companies: debentures and zero-coupon bonds. Following figure depicts different classes of securities.



Government Securities

A Government Security is an interest-bearing instrument issued by sovereign Government. It acknowledges the Government's debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more). These are the securities issued by the Bangladesh government. Based on tax chargeability, they can be classified into two categories: Tax-exempt government securities and Taxable government securities:

- **Tax – exempt government securities:** These are the securities issued by the government with the condition that interest thereon shall not be liable to tax. Income from interest on tax-exempt government securities is not included in computation of taxable income. At present, no tax-exempt securities are prevailing in Bangladesh.
- **Taxable government securities:** These are the government securities on which tax is deducted at source at specified rate. So, the assessee receives net amount of interest, and it is to be grossed up before including in income. Interests on these securities are fully taxable. Government securities which are traded in the secondary market are known as tradable government securities on which 5% TDS is applicable on discount, interest or profit on securities at the time of making payment or credit, whichever is earlier U/s 106. Savings instruments are also issued by the government but are not tradable in the secondary market. 10% TDS is also applicable on interest on savings instruments, as the case may be, as per section 105.

EXHIBIT

Chapter – 10 Income from Financial Assets

Tax – exempt Vs. Taxable Government Securities

10.1

	Tax-exempt Government Securities	Taxable Government Securities
• TDS	Not applicable	Applicable @ 5% on interest
• Grossing up	Grossing up is not required as gross amount of interest is received.	Grossing up is required since net amount of interest is received after deducting tax.
• Exemption	Fully exempted	Fully taxable
• Allowable deductions	Not applicable	Applicable to the extent of expenses as per section 64.
• Impact on average tax rate	As it is not included in total income, there is no impact on average tax rate.	As it is included in total income, it causes an increase in average rate of tax.

Commercial Securities

According to section 62(b), securities which are approved by the Bangladesh Securities and Exchange Commission (BSEC) and issued by or on behalf of a local authority or a company will be considered as commercial securities.

- **Debentures:** These are the commercial securities approved by the BSEC and issued by or on behalf of a local authority or a company. 5% tax is deducted at source from the interest on such commercial securities/debentures. So, the interest amount received by the assessee is net amount and hence further grossing up is required to calculate the gross amount of interest. Interest income from debentures is fully taxable. Debentures can be conventional (interest bearing) or Islamic (profit bearing) on which 5% TDS is applicable u/s 106. Some of the debentures available in market are –

- Aramit Cement Ltd. (Deb-14%)
- Bangladesh Luggage Ind. Ltd. (Deb-14%)
- BD Welding Electrodes Ltd. (Deb-15%)
- Bangladesh Zipper Ind. Ltd. (Deb-14%)
- Beximco Denims Ltd. (Deb-14%)
- Beximco Fisheries Ltd. (Deb-14%)
- Beximco Knitting Ltd. (Deb-14%)
- Beximco Textiles Ltd. (Deb-14%)
- IBBL Mudaraba Perpetual Bond (Islamic)

- **Zero – Coupon Bond:** A Zero-coupon bond (also called a discount bond or deep discount bond) is a bond bought at a price lower than its face value, with the face value repaid at the time of maturity. It does not make periodic interest payments, or so-called "coupons," hence the term zero-coupon bond. Any income derived from approved Zero-coupon bond (approved by Bangladesh Bank and SEC) received by a person other than Bank, Insurance or any Financial Institution is fully exempted from tax [6th Schedule, Part 1, Para 25]. 5% tax is deducted at source from the income received from zero coupon bond if it is received by any Bank, Insurance, or any Financial Institution.



Mr. Bilal has received interest from the following securities. Calculate his income from securities (evaluate each alternative independently) – (a) interest received Tk. 14,500 from tax-exempt government securities (b) interest received Tk. 19,000 from taxable government securities (c) invested Tk. 210,000 last year in a 12% tax-exempt government securities (d) invested Tk. 200,000 last year in 12% taxable government securities

10.6

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TDS ON INCOME FROM FINANCIAL ASSETS

Tax shall be deducted on income from financial assets as per the following provisions:

Interest on Securities [Section 106]

Any person responsible for issuing a security of the Government, or security approved by the Government or Bangladesh Securities and Exchange Commission, shall collect income-tax at the rate of five percent (5%) on discount, interest, or profit on securities at the time of making payment or credit, whichever is earlier.

TDS from interest on saving deposits and fixed deposits, etc. [Section 102]

Notwithstanding anything contained in the ITA, 2023 or any other law for the time being in force, any person responsible for paying to a resident any sum by way of interest or share of profit on any saving deposits or fixed deposits or any term deposit maintained with any person engaged in banking, insurance, leasing, financing, post office banking, co-operative or mobile financial services, shall deduct, at the time of credit of such interest or share of profit to the account of the payee or at the time of payment thereof, whichever is earlier, income tax on such sum at the rate provided in the following table-

	Rate
Where the payee is a Trust, Association of Persons, and company	20%*
Where the payee is a Primary Educational Institution, professional institutes of Chartered Accountants, Cost and Management Accountants or Chartered Secretaries	10%**
Any other payee, other than mentioned in above two categories	10%**

*The rate of TDS will be 50% higher i.e. 30% if the payee fails to provide the PSR (Proof of the Submission of the Return).

** The rate of TDS will be 50% higher i.e. 15% if the payee fails to provide the PSR (Proof of the Submission of the Return).

TDS deducted on the above-mentioned interest income on savings deposits or fixed deposits etc. earned by the taxpayers on whom return submission is not mandatory [w/s 166(2)] will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].

Chapter – 10 Income from Financial Assets

Deduction at source from interest on saving instruments [Section 105]

Notwithstanding anything contained in any other provision of this Act or any other law being in force in respect of exemption from tax on interest of savings instrument purchased by an approved superannuation fund or pension fund or gratuity fund or a recognized provident fund or a workers' profit participation fund, any person responsible for making any payment by way of interest on any savings instruments shall, at the time of such payment, deduct income tax @ 10% on such interest;

Provided that no tax shall be deducted under this section where the cumulative investment at the end of the income year in the pensioners' savings certificate that does not exceed five lakh taka. Provided further that no tax shall be deducted from interest or profit arising from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond.

TDS deducted on the above-mentioned interest income of savings certificates owned by any individual taxpayer will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].

Deduction of tax from dividends [Section 117]

The principal officer of a company registered in Bangladesh, or of any other company, shall, at the time of paying any dividend to a shareholder, deduct tax on the amount of such dividend, in the case of a resident or a non-resident Bangladeshi-

- ☐ if the shareholder is a company, at the rate applicable to a company;
- ☐ if the shareholder is a person other than a company, @ ten per cent (10%) where the person receiving such dividend furnishes his Taxpayer's Identification Number (TIN) to the payer or fifteen per cent (15%) where the person receiving such dividend fails to furnish his Taxpayer's Identification Number (TIN) to the payer.

Provided that the provision of this section shall not be applicable to any distribution of taxed dividend to a company if such taxed dividend enjoys tax exemption under the provisions of the paragraph 32 of Part I of the Sixth Schedule.

10.7

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10.5

GROSSING UP OF INCOME FROM FINANCIAL ASSETS

Taxable income under the head 'Income from Financial Assets' must be the gross amount and not the net amount. If any TDS is applied on such income, the income received by the assessee will be the net income and hence needed to be grossed up to compute the gross amount. This gross amount will be considered in the computation of taxable income. The formula for grossing up of income is:

$$\text{Gross income} = \text{Net income} \times [100 + (100 - \text{rate of tax deducted at source})]$$

EXHIBIT

10.2

When to Gross - up Income from Financial Assets?

Case 1: Mr. X has received Tk. 9,500 as interest on taxable government securities/debentures. Since the current rate of tax deducted at source is 5%, the amount of gross interest will be: Tk. $[9,500 \times 100/95] = \text{Tk. } 10,000$.

Case 2: But if the value of taxable government securities/debentures is given, it will be possible to compute the gross interest directly. Such as, the value of Mr. X's 10% taxable government security (TGS)/debenture (D) is Tk. 200,000. So, the amount of gross interest will be $[200,000 \times 10\%] = \text{Tk. } 20,000$.

If interest amount is given

Example: Mr. X's interest income from securities is Tk. 4,500

Is grossing up required?*

Taxable income for the given example (Tk.)

If value of securities is given

Example: Mr. X invested Tk. 90,000 in 10% securities

Is grossing up required?

Taxable income for the given example (Tk.)

	TEGS	TGS	CS/D	ZCB
No	No	Yes	Yes	No
4,500	4,500	5,000	5,000	4,500**
No	No	No	No	N/A
9,000	9,000	9,000	9,000	N/A

Here, TEGS = tax-exempted government securities, CS = commercial securities, ZCB = zero coupon bond.

* Grossing up is required only when interest amount of taxable government securities/debentures is given.

** Income from zero-coupon bond received by any bank, insurance or financial institution need to be grossed up and thus the figure applicable for these entities should be Tk. 5,000.

Case 3: Mr. X has received Tk. 9,000 as interest on deposits from Bank/Financial Institution. Since the current rate of tax deducted at source is 10%, the amount of gross interest will be: Tk. $[9,000 \times 100/90] = \text{Tk. } 10,000$.

Case 4: Mr. X has received Tk. 9,000 as dividend from Prime Bank Limited for holding some shares in it. Since the TDS rate is 10% (assuming he has TIN), the amount of gross dividend will be: Tk. $[9,000 \times 100/90] = \text{Tk. } 10,000$.

Case 5: Mr. X has received Tk. 90,000 as interest on Bangladesh Savings Certificate. His total investment in savings certificate is Tk. 700,000. Since the TDS rate is 10%, the gross interest is Tk. $[90,000 \times 100/90] = \text{Tk. } 100,000$.

Case 6: Mr. X has received Tk. 30,000 as interest on Bangladesh Savings Certificate. His total investment in Bangladesh Pensioner Savings Certificate is Tk. 400,000. Since no TDS is applicable in this case, the amount of gross interest will be: Tk. 30,000

10.8

ADMISSIBLE AND INADMISSIBLE EXPENSES

In computing the income under the head "Income from Financial Assets", the following deductions from respective incomes are allowable [section 64].

- ☐ **Bank commission/charges for collecting interest:** Bank commission or charges which have been deducted by the bank for collecting interest will be an allowable expense. But no expense is allowable in case of interest on securities which are fully exempted from tax. Moreover, if bank commission is charged for purchasing securities, it will be considered as a capital expenditure and hence not to be considered as an allowable expense.
- ☐ **Interest on borrowed capital for investment in financial assets:** Any interest on money borrowed for the purpose of investment in the financial assets by the assessee will be

Chapter -10 Income from Financial Assets

- an allowable expense. But no such expense is allowable in case of interest on securities fully exempted from tax.
- ☐ Any other expenses incurred to earn the said income.

However, notwithstanding anything contained in this chapter, no deduction shall be allowed under this section in respect of -

- ☐ any interest payable outside Bangladesh on which tax has not been paid or deducted in accordance with the provisions of TDS.
- ☐ in case of income from financial assets fully exempted from tax.
- ☐ Any capital expenditure or personal expenses.

10.9

CLO
6.6

TAX EXEMPTION ON INCOME FROM FINANCIAL ASSETS

The following incomes from financial assets are exempted as per the Income Tax Act, 2023:

- ☐ Any sum or aggregate of sums of interest from pensioners' savings certificate where the total accumulated investment at the end of the relevant income year in such certificate does not exceed Tk. five lakh [6th Schedule, Part 1, Para 9].
- ☐ Any income received by an assessee from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond [Sixth Schedule, Part 1, Para 18]
- ☐ Amount of interest/income from BB or BSEC approved zero-coupon bond (for individual assessee) [6th Sched, Part 1, Para 25].
- ☐ any distribution of taxed dividend to a company, if separate records are maintained by the issuer company for this purpose [6th Sched, Part 1, Para 32]

10.10

CLO
10.3
10.8

CUM - INTEREST AND EX - INTEREST TRANSACTIONS

Generally, interest on securities is given on a particular day at regular intervals. It is added with the total income for tax purpose when received. Sometimes to avoid tax on interest, the securities holder may sell or transfer the securities including interest just before the due date. This is known as Cum Interest Transaction. Since securities are capital asset, no tax is given on the disposal value of the securities.

According to the ITA, 2023, when securities are sold cum interest, the purchaser or holder of securities will be responsible to pay the tax on whole interest. Here, the seller will not pay any tax for the interest included in the sales price of securities. The reverse is the case for ex-interest transactions. Here the seller and purchaser will be assessed for interest with reference to the period for which the securities are held by the seller and the purchaser (i.e. interest income will be computed and assessed on the basis of proportionate time duration of holding the security by the seller and the buyer). There is wide scope to avoid tax in this way and section 242 has given sufficient authority to the DCT to handle those cases of tax avoidance.

EXHIBIT

10.3

Computing Taxable Income from Financial Assets

Case 1: Calculate taxable income from the given data: Total gross interest on tax-exempt government securities Tk. 5,000; Total gross interest on taxable government securities Tk. 6,000; Total gross interest from debentures Tk. 4,000 and Income from zero-coupon bond Tk. 3,000 received by an individual.

Interest on tax-exempt government securities
Less: exempted (full)

Tk. 5,000
5,000

Interest on taxable government securities
Interest on debentures
Income from zero-coupon bond
Less: exempted (full)
Total

Tk. 6,000
4,000
3,000
3,000
Tk. 10,000

Case 2: Calculate taxable income from the given data: Interest on tax-exempt government securities Tk. 5,000; Interest on taxable government securities Tk. 4,750; Interest on debentures Tk. 24,700; and Income from BD Pensioner Savings Certificate Tk. 5,000 received by an individual (Total investment in Pensioner Savings Certificate is Tk. 200,000).

Interest on tax-exempt government securities
Less: exempted (full)

Tk. 5,000
5,000

Interest on taxable government securities $[4,750 \times 100 \div (100 - 5)]$
Interest on debentures $[24,700 \times 100 \div (100 - 5)]$
Income from Pensioner Savings Certificate
Less: exempted (full)
Total

Tk. 5,000
5,000
5,000
5,000
Tk. 31,000

Case 3: Calculate taxable income from the given data: Interest on Wage Earners Development Bond Tk. 5,000; Interest on Bank Deposits Tk. 4,500; Dividend from Prime Bank/ Mutual Fund Tk. 22,500; and Interest on Savings Certificate Tk. 45,000 received by an individual (Total investment in Savings Certificate is Tk. 600,000).

Interest on Wage Earners Development Bond
Less: exempted (full)

Tk. 5,000
5,000

Interest on fixed deposits $(4,500 \times 100 / 100 - 10)$
Dividend from Prime Bank / Mutual Fund $(22,500 \times 100 / 100 - 10)$
Income from Savings Certificate $(45,000 \times 100 / 100 - 10)$
Total

Tk. 5,000
5,000
5,000
25,000
50,000
Tk. 80,000



Mr. Ali has received interest from following securities. Calculate his taxable income.

- Total gross interest on tax-exempt government securities Tk. 5,000.
- Total gross interest on taxable government securities Tk. 4,000.
- Total gross interest on debentures Tk. 26,000.
- Income from zero-coupon bond received by an individual Tk. 2,000
- Interest on Bank Deposits Tk. 2,700
- Dividend Income Tk. 900

10.11 BOND WASHING TRANSACTIONS

Chapter - 10 Income from Financial Assets

CLO
10.3
10.8

It is another way where tax avoidance is aimed at. In this case, securities are sold cum interest with an agreement to re-sell or re-transfer the securities with a view to avoiding tax. Sometimes, securities are sold to a person whose income is less than the minimum taxable limit and then he doesn't need to pay any tax on interest on securities since his income is less than the taxable limit.

Besides, since securities are capital asset, no tax will be given on the disposal value of the securities by the seller. In this way both the seller and buyer avoid tax. If this practice is not checked, interest is includible in the total income of the purchaser, as interest is chargeable in the hands of the person who is legal owner of securities on the due date of payment of interest.

To prevent the avoidance of tax in this manner, Section 242(1) of the ITA, 2023 provides that where a security owner transfers the securities on the eve of due date of interest and reacquires them, the interest received by the transferee/purchaser will be deemed as income of the transferor/seller and, accordingly, it will be included in the total income of the transferor/seller and not the transferee/purchaser. There is wide scope to avoid tax in this way and Section 106 has given sufficient authority to the DCT to handle those cases of tax avoidance.

10.12 INVESTMENT IN FINANCIAL ASSETS INCLUDED IN INVESTMENT ALLOWANCE

CLO
10.7

As per the rules explained in Part 3 of Sixth Schedule, investment in the following securities is considered as a part of investment allowance:

- ☐ Purchase of government securities not exceeding Tk. 500,000 [Sixth Schedule, Part 3, Para 7(a)]
- ☐ Purchase of unit certificate issued by any financial institutions or Investment Corporation of Bangladesh or Fund Manager and Mutual Fund, ETF or Joint Investment Scheme Unit Certificate not exceeding Tk. 500,000 [Sixth Schedule, Part 3, Para 7(b)];
- ☐ Contribution to any Deposit Pension Scheme sponsored by any Scheduled Bank or Financial Institution not exceeding Tk. 120,000 [Sixth Schedule, Part 3, Para 7(c)];
- ☐ Purchase of any listed securities (e.g. debentures or shares or zero-coupon bond) from stock exchanges operated under BSEC [Sixth Schedule, Part 3, Para 8].

10.13 INTEREST ON SAVINGS INSTRUMENTS

CLO
10.4
10.5

In Bangladesh, different savings instruments (known as Sachaypatra) are also issued through the Department of National Savings (Jatiya Sanchay Adhidaptor) under the savings mobilization Scheme of the Government. These savings instruments are not tradable in the secondary market. The purchaser can encash it at the end of the maturity, or before maturity if necessary. The basic objectives of these savings instruments are:

- ☐ motivating people to save money;
- ☐ collecting scattered small savings through National Saving Schemes;
- ☐ mitigating national budget deficit by collecting money through saving schemes;
- ☐ bringing under socio-economic safety net of country's particular sectors of people like: women, senior citizens, Bangladeshis who are working abroad and the physical handicapped by national saving schemes;
- ☐ playing an important role by reducing foreign aid dependence and inflation etc.

Savings Instruments Existing in Bangladesh

- Savings Certificates*
- ☐ 5-year Bangladesh sanchaypatra
 - ☐ 3 monthly profit bearing sanchaypatra
 - ☐ Family savings certificate
 - ☐ Pensioner sanchaypatra

- Savings Bonds*
- ☐ Wage Earners Development Bond
 - ☐ US Dollar Premium Bond
 - ☐ US Dollar Investment Bond
 - ☐ Euro Premium Bond
 - ☐ Euro Investment Bond
 - ☐ Pound Sterling Investment Bond
 - ☐ Pound Sterling Premium Bond

Minimum Tax on Interest on Savings Instruments

Notwithstanding anything contained in any other provisions of the ITA, 2023, any TDS (u/s 105) deducted on the above-mentioned interest income of savings certificates owned by any individual taxpayer will be considered as final payment of tax [SR025-Law/IT-09/2023 dated August 23, 2023].

Example 1: During the current income year, Mr. Tareq received Tk. 400,000 as interest on 5-Year Bangladesh Sanchaypatra on which 10% tax (Tk. 40,000) has been deducted at source under section 105. He had no other income. In this case his tax liability will be Tk. 40,000 as it is minimum tax under section 163 and final payment of tax.

Example 2: During the current income year, Mr. Zia received Tk. 300,000 as interest on 5-Year Bangladesh Sanchaypatra on which 10% tax (Tk. 30,000) has been deducted at source under section 105. He has also received Tk. 600,000 interest on bank deposits on which 10% tax (Tk. 60,000) has been deducted at source under section 102. He had income from rent Tk. 500,000 and no investment allowance. Here, total income and tax liability shall be:

Income from regular source (Rent & Bank interest)	Tk. 1,100,000
Interest on 5-Year Bangladesh Sanchaypatra (Final tax)	30,000
Total income	Tk. 1,400,000
Tax Liability: Tax applicable on regular source of income (on 1 st 350,000 nil, next 100,000 @ 5%, next Tk. 400,000 @ 10%, next Tk. 250,000 @ 15%)	82,500
TDS on Interest on 5-Year Bangladesh Sanchaypatra	Tk. 30,000
Total tax liability	Tk. 112,500
Total tax deducted at source (TDS: Tk. 30,000 + Tk. 60,000)	90,000
Tax to be paid with return	Tk. 22,500

EXHIBIT

Salient Features of Savings Instruments

10.4

SAVINGS CERTIFICATES [Maximum investment limit in any sanchaypatra is Tk. 50 lac in single name & 1 crore jointly]

- ☐ **5 - Years Bangladesh Sanchaypatra (Maturity - 5 years)**
 - Can be purchased by any Bangladeshi citizen, on behalf of minor, recognized provident fund, DCT certified agro based firms, NBR approved orphanage, old home etc.
 - Purchase Limit: Max 30 lac individual & 60 lac jointly; For organization - as per circular of tax
 - 10% TDS applicable under section 105 which is the only applicable tax on such income i.e. final payment of tax
- ☐ **3 - Monthly Profit Bearing Sanchaypatra (Maturity - 3 years)**
 - Can be purchased by a single Bangladeshi adult; a minor; two adults in their joint names; an adult on behalf of a single minor; two minors jointly; himself/herself and a minor jointly and any lunatic of whom he is the guardian or manager appointed by a court.
 - Purchase Limit: 30 lac single & 60 lac jointly
 - Profit can be drawn after every three months
 - 10% TDS applicable under section 105 which is the only applicable tax on such income i.e. final payment of tax
- ☐ **Family Savings Certificate (Maturity - 5 years)**
 - Can be purchased by any adult Bangladeshi female; any handicapped Bangladeshi (both male & female); Senior citizen (aged 65 years and above, both male & female).
 - Purchase Limit: Max 45 lac
 - Profit can be drawn on a monthly basis
- ☐ **Pensioner Sanchaypatra (Maturity - 5 years)**
 - Can be purchased by any retired Govt., Semi-Govt, Autonomous, Semi-Autonomous, Retired judges from the Supreme Court, Retired Armed Forces officials and Pension beneficiary Husband/Wife/Children of such deceased employees.
 - Purchase Limit: Max 50 lac
 - Profit can be drawn after every three months
 - No TDS is applicable if the cumulative investment does not exceed Tk. 5 lac at the end of the income year. Otherwise 10% TDS is applicable which is the applicable tax on such income i.e. final payment of tax

SAVINGS BONDS [Unlimited purchase limit]

- Wage Earners Development Bond (5 years); US Dollar Premium Bond (3 years); US Dollar Investment Bond (3 years); Euro Premium Bond, Euro Investment Bond; Pound Sterling Investment Bond; Pound Sterling Premium Bond
- Wage Earners Development Bond can be purchased by a Bangladeshi wage earner who is serving abroad.
- Other bonds can be purchased by Non-Resident Bangladeshi who are FC Account holder
- No TDS is applicable under section 105; Fully exempted from tax [6th Schedule, Part 1, Para 18]

EXHIBIT

10.5

Points to Remember in Computing Taxable Income

- Interest from TEGS are fully exempted, no related expenses are admissible
- Interest on TGS are subject to 5% TDS, thus the amount received as interest need to be grossed up, related expenses (bank charge and interest on loan) are admissible
- Interest on debentures are subject to 5% TDS, thus the amount received as interest need to be grossed up, related expenses (bank charge and interest on loan) are admissible
- Interest from ZCB are fully exempted, no related expenses are admissible
- Interest on deposits from bank/financial institutions are subject to 10% TDS, thus the amount received as interest need to be grossed up, related expenses (if any) are admissible
- TDS for dividend is 10%, thus the amount received need to be grossed up, related expenses are admissible

SOLVED PRACTICAL CASES (SPC)

SPC
10.1

INCOME FROM AND INTEREST ON SECURITIES, BANK INTEREST, DIVIDEND

Compute the income chargeable under the head "Income from Financial Assets" for Mr. Mahmud for the current income year. He received Tk. 19,000 interest from taxable government securities (TGS), Tk. 23,940 from debentures, Tk. 15,000 from zero-coupon bond. Besides, he has investments in 10% TGS valued Tk. 45,000, and 8% debentures valued Tk. 20,000. During the year he received Tk. 9,000 dividend for investment in Grameenphone Ltd.'s shares and Tk. 27,000 interest from bank fixed deposits.

Assessee: Mahmud	Assessment Year: 2024 – 2025			Income Year: 2023 – 2024	
Income from Financial Assets:	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
TGS (note 1)	Tk. 24,500	Tk. -	Tk. 24,500	Tk. -	Tk. 24,500
Debentures (note 2)	26,800	-	26,800	-	26,800
Zero-coupon bond (note 3)	15,000	-	15,000	15,000	-
Dividend (note 4)	10,000	-	10,000	-	10,000
Interest on bank deposit (note 5)	30,000	-	30,000	-	30,000
Total	Tk. 106,300	Tk. -	Tk. 106,300	Tk. 15,000	Tk. 91,300

Notes: (1) $(19,000 \times 100 \div 100 = 19,000)$

Notes: (1) $\{19,000 \times 100 \div (100 - 5)\} + \{45,000 \times 10\% = Tk. 24,500$ (2) $\{23,940 \times 100 \div (100 - 5)\} + \{20,000 \times 8\% = Tk. 26,800$ (3) income from zero-coupon bond are fully exempted. (4) $\{9,000 \times 100 \div (100 - 10)\} = Tk. 10,000$. (5) $\{27,000 \times 100 \div (100 - 10)\} = Tk. 30,000$.

SPC
10.2

BANK CHARGES, DEBENTURE PURCHASE FINANCED BY LOAN

Compute the income chargeable under the head Income from Financial Assets for Mr. Musa for the current income year: 10% tax-exempt government securities (TEGS) valued Tk. 50,000; interest received on taxable government securities (TGS) Tk. 4,750; Tk. 18,050 as interest on debentures and income from zero coupon bond Tk. 15,000. The Bank has charged Tk. 100 collecting interest on TEGS, Tk. 75 for TGS and Tk.

Chapter - 10 Income from Financial Assets

150 for zero coupon bond. The bank has deducted Tk. 380 as commission for collecting interest on debentures. In addition, debentures were purchased by taking a 6% bank loan of Tk. 100,000. During the year he received Tk. 900 dividend for investment in Prime Bank's shares and Tk. 1,800 interest from bank savings account.

Assessee: Musa

Income from Financial Assets:	Assessment Year: 2024 – 2025			Income Year: 2023 – 2024	
	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
TEGS (note 1)	Tk. 5,000	Tk. -	Tk. 5,000	Tk. 5,000	Tk. -
TGS (note 2)	5,000	75	4,925	-	4,925
Debentures (note 3)	19,000	6,380	12,620	-	12,620
Zero-coupon bond	15,000	-	15,000	15,000	-
Dividend (note 4)	1,000	-	1,000	-	1,000
Interest on bank deposit (note 5)	2,000	-	2,000	-	2,000
Total	Tk. 47,000	Tk. 6,455	Tk. 40,545	Tk. 20,000	Tk. 20,545

Notes: (1) $50,000 \times 10\% = Tk. 5,000$ (2) $4,750 \times 100 \div (100 - 5) = Tk. 5,000$ (3) Interest = $\{18,050 \times 100 \div (100 - 6)\} = Tk. 19,000$; admissible expense [bank charge Tk. 380 plus interest on loan $\{100,000 \times 6\% = Tk. 6,000\}$ (4) $\{900 \times 100 \div (100 - 10)\} = Tk. 1,000$ (5) $\{1,800 \times 100 \div (100 - 10)\} = Tk. 2,000$.

SPC
10.3

BANK CHARGES, INVESTMENTS FINANCED BY LOAN

From the given information compute income chargeable under the head Income from Financial Assets for Mr. Hamid for the current income year: interest on taxable government securities (TGS) Tk. 9,500; investment on 12% debentures Tk. 120,000; and income from zero coupon bond Tk. 15,000. The Bank has charged Tk. 100 for zero coupon bond income. The bank has also deducted 5% commission for collecting interest on TGS and debentures. In addition, bank loans were taken to invest in TGS Tk. 50,000 @ 6% interest and debentures Tk. 120,000 @ 6% interest. During the year he received Tk. 1,800 interest from the post office (PO) savings bank account.

Assessee: Hamid	Assessment Year: 2024 – 2025			Income Year: 2023 – 2024	
Income from Financial Assets:	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
TGS (note 1)	Tk. 10,000	Tk. 3,475	Tk. 6,525	Tk. -	Tk. 6,525
Debentures (note 2)	14,400	7,884	6,516	-	6,516
Zero-coupon bond	15,000	-	15,000	15,000	-
Interest on PO savings (note 3)	2,000	-	2,000	-	2,000
Total	Tk. 51,400	Tk. 11,359	Tk. 40,041	Tk. 15,000	Tk. 15,041

Notes: (1) Interest: $\{9,500 \times 100 \div (100 - 5)\} = Tk. 10,000$; admissible expense: bank charge $\{9,500 \times 5\% = Tk. 475\}$ plus interest on loan $\{50,000 \times 6\% = Tk. 3,000\}$ Tk. 475 + Tk. 3,000 = Tk. 3,475 (2) Interest: $120,000 \times 12\% = Tk. 14,400$; admissible expense: bank charge Tk. 684 [5% on the amount of interest collected by the bank {i.e., on $\{14,400 - 5\% TDS \text{ on } 14,400\} = Tk. 13,680\}$ plus interest on loan $\{120,000 \times 6\% = Tk. 7,200\}$ Tk. 7,200 + Tk. 7,884 (3) $\{1,800 \times 100 \div (100 - 10)\} = Tk. 2,000$.

SPC
10.4

INVESTMENTS AT DIFFERENT DATES

Following are the details of investments made by Mr. Tomal in the taxable government securities (TGS), debentures (DBNR), 1 year zero coupon bond (ZCB, with maturity value of Tk. 100,000), and 10% Bank Fixed Deposits made. Compute his taxable income considering given data:

Investment details	Purchase price	Bank charges during the year
20% TGS on 01.07.2022	200,000	5% against the interest from TGS
15% DBNR on 01.09.2022	100,000	Tk. 300 fees against the interest collected from DBNR
10% DBNR on 30.06.2024	50,000	Tk. 200 purchase commission
ZCB on 01.07.2023	90,000	
10% Bank FDR 01.01.24	100,000	

Assessee: Tomal	Assessment Year: 2024 – 2025		Income Year: 2023 – 2024		
	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
Income from Financial Assets:					
TGS (note 1)	Tk. 40,000	Tk. 1,900	Tk. 38,100	Tk. -	Tk. 38,100
Debentures (note 2)	15,000	300	14,700	-	14,700
Zero-coupon bond (note 3)	10,000	-	10,000	10,000	-
Bank FDR (note 4)	5,000	-	5,000	-	5,000
Total	Tk. 70,000	Tk. 2,200	Tk. 67,800	Tk. 10,000	Tk. 57,800

Notes: (1) Gross interest $200,000 \times 20\% = \text{Tk. } 40,000$; net interest after 5% TDS = Tk. 38,000; bank fees charged on the net amount as it has been collected by the bank (i.e., 5% charge on Tk. 38,000 = Tk. 1,900) (2) No interest was earned on 10% debenture as it has been purchased on the last day of the income year. Only interest earned is from 15% debenture $(100,000 \times 15\%) = \text{Tk. } 15,000$ (3) Interest on the zero coupon bond is realized on 30.06.2022 by Tk. 10,000 (i.e., maturity value less the purchase price) (4) Gross interest $100,000 \times 10\% \times 6/12 = \text{Tk. } 5,000$

SPC
10.5

ALLOCATION OF BANK CHARGE, REALIZATION FROM ZERO COUPON BOND

Determine taxable income for Mr. Saif from interest on securities for the current income year. During the year, he invested Tk. 60,000 in 8% tax-exempt government securities (TEGS), Tk. 50,000 in 10% taxable government securities (TGS), and Tk. 200,000 in 15% debentures (purchased on January 1 of the income year). He financed Tk. 100,000 by taking 8% loan to purchase debentures. His bank has charged Tk. 2,380 as collection fee of these interests. Moreover, during the year he has received Tk. 20,000 from a 2-year zero coupon bond (ZCB) at the maturity (acquisition price was Tk. 18,000). No bank charge is applicable for collecting interest on ZCB.

Assessee: Saif	Assessment Year: 2024 – 2025		Income Year: 2023 – 2024		
	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
Income from Financial Assets:					
TEGS (note 1)	Tk. 4,800	Tk. -	Tk. 4,800	Tk. 4,800	Tk. -
TGS (notes 2 and 5)	5,000	475	4,525	-	4,525

Debentures (notes 3, 5, 6)
Zero-coupon bond (note 4)
Total

Chapter – 10 Income from Financial Assets				
15,000	5,425	9,575	-	9,575
2,000	-	2,000	2,000	-
Tk. 26,800	Tk. 5,900	Tk. 20,900	Tk. 6,800	Tk. 14,100

Notes: (1) $60,000 \times 8\% = \text{Tk. } 4,800$ (2) Gross interest $50,000 \times 10\% = \text{Tk. } 5,000$; net interest collected by the bank after 5% TDS = Tk. 4,750 (3) Gross interest $200,000 \times 15\% \times 6/12 = \text{Tk. } 15,000$; net interest collected by the bank price (i.e., Tk. 20,000 - Tk. 18,000) (5) Total interest collected by the bank is Tk. 23,800 (consists of Tk. 4,800 from TGS, Tk. 4,750 from TGS, and Tk. 14,250 from debenture). Bank charged Tk. 2,380 collection fees against these interests. Thus, proportionate bank charge for TGS is Tk. 475 (i.e., $2,380 \times 23,800 \div 4,750$) and for debenture is Tk. 1,425 (i.e., $2,380 \times 23,800 \div 14,250$) (6) Total allowable expense against debenture consists bank charge Tk. 1,425 plus interest on loan Tk. 4,000 (i.e., $100,000 \times 8\% \times 6/12 = \text{Tk. } 4,000$)

SPC
10.6

ALLOCATING BANK CHARGES, DEBENTURE PURCHASE FINANCED BY LOAN

From the information given below, compute the income chargeable under the head Income from Financial Assets for Mr. Tanvir for the current income year: value of 15% debentures; and interest on zero coupon bond Tk. 10,000. The Bank has charged 5% for collecting above interests. In addition, he has taken 6% bank loan Tk. 100,000 to purchase additional 10% approved company debenture on January 1 of the income year. In addition to it, he has also received Tk. 3,600 as dividend from mutual fund.

Assessee: Tanvir	Assessment Year: 2024 – 2025		Income Year: 2023 – 2024		
	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
Income from Financial Assets:					
TGS (note 1)	Tk. 6,000	Tk. 285	Tk. 5,715	Tk. -	Tk. 5,715
Debentures (note 2)	15,000	3,713	11,287	-	11,287
Zero-coupon bond	10,000	-	10,000	10,000	-
Dividend (note 3)	4,000	-	4,000	-	4,000
Total	Tk. 35,000	Tk. 3,998	Tk. 31,002	Tk. 10,000	Tk. 21,002

Notes: (1) Gross interest: $40,000 \times 15\% = \text{Tk. } 6,000$; net interest collected by the bank after 5% TDS = Tk. 5,700; Bank charge $5\% \times 5,700 = \text{Tk. } 285$ (2) Gross interest from 12% debenture: $(9,500 \times 100 \div 95) = \text{Tk. } 10,000$ and from 10% debenture: $(100,000 \times 10\% \times 6/12) = \text{Tk. } 5,000$; total gross interest is Tk. 15,000; bank collected the net interest Tk. 9,500 plus Tk. 4,750 (after 5% TDS on the interest from 10% debenture) = Tk. 14,250; Bank charge 5% , i.e., $14,250 \times 5\% = \text{Tk. } 713$; interest on loan $(100,000 \times 6\% \times 6/12) = \text{Tk. } 3,000$; total allowable expenses Tk. 3,713 (3) Gross dividend: $(3,600 \times 100 \div 90) = \text{Tk. } 4,000$.

SPC
10.7

NON-RESIDENT BANGLADESHI, BOND-WASHING TRANSACTION

Mr. Jalal Talabani, a non-resident Bangladeshi, is a Permanent Resident of Canada. Information regarding his investments in and income from securities during the current income year are provided below to compute his taxable income for the year.

- ☐ Invested Tk. 100,000 in 10% Bangladesh tax-exempt Government Bond (TEGS, purchased on 01.09.22).
- ☐ Tk. 200,000 in 8% Canadian T Bill in Canada (purchased on 1st July 2023).

- Interest on 10% taxable government securities (TGS) Tk. 2,850. The Bank has deducted Tk. 100 as collection fee.
- 14% Beximco debentures were purchased from DSE at a cost of Tk. 230,000 on 1st January 2024 (face value is Tk. 200,000). In this regard, he has sold 13% ACI debenture at Tk. 150,000 on the same day (the acquisition price was Tk. 130,000, face value Tk. 125,000). Interest is paid on 30th June each year by the companies on an annual basis. The bank has charged him Tk. 500 as transaction fee.
- 12% debentures of ABC Ltd. with face value of Tk. 5 lac (interest payable annually on 31st December) were sold ex-interest on 1st December 2023 and Tk. 700,000 15% debenture of XYZ Ltd. was purchased ex-interest, borrowing additional sum from NCC Bank at 10% interest. The Bank has charged Tk. 1,000 as commission for the settlement of the purchase and sales and Tk. 1,500 for collecting interests. The interests on 15% XYZ debentures are due in September 30 and March 31.
- The DCT identified that he has transferred 10% debenture of Tk. 100,000 to his friend on 15th June 2024 (interest is paid annually on 30th June) and bought it back on 3rd July 2024 at Tk. 105,000. The DCT marked it as Bond Washing.
- On 31st March 2024 he received Tk. 50,000 maturity value of a three years zero coupon bond. Acquisition price of the bond was Tk. 35,000. The collection fee of Tk. 500 was charged in this regard by his bank.

Assessee: Jalal Talabani	Assessment Year: 2024 – 2025		Income Year: 2023 – 2024		
	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
Income from Financial Assets:					
TEGS (note 1)	Tk. 10,000	Tk. -	Tk. 10,000	Tk. 10,000	Tk. -
TGS	3,000	100	2,900	-	2,900
Debentures (note 3)	80,500	10,979	69,521	-	69,521
10% debenture (note 4)	10,000	-	10,000	-	10,000
Zero-coupon bond	15,000	-	15,000	15,000	-
Total	Tk. 118,500	Tk. 11,079	Tk. 107,421	Tk. 25,000	Tk. 82,421

Notes: (1) 10% Bangladesh Tax Free Government Bond is a tax-free government security. Interest is considered for the whole year as it was on hand from the first day of the income year. (2) As he is a non-resident, interest on Canadian T bill will not come under the scope of his total income, as it is income earned in outside Bangladesh. In case of resident, the interest would have to be considered under the head “Foreign income” instead of “Income from Interest on Securities”, as it is a security issued by foreign authority. (3) Income from debentures is calculated as follows:

- (a) Interest on securities is paid always on face value. So, interest on 14% Beximco Debenture is $(200,000 \times 14\%) = \text{Tk. } 28,000$. As the final holder, he will get the whole interest. Similarly, as he has sold the 13% ACI interest in the secondary market, he is no more eligible to receive any interest on it as he is not the final holder. This is an example of *curt-interest*. Transaction fee for purchase and sell of securities is not an admissible expense.
- (b) 12% debentures of ABC Ltd. bearing the face value of Tk. 500,000 were sold before the due date of interest. So, the final holder is entitled to get the interest on such debentures. In this regard, no income by way of interest arises in the hand of Mr. Jalal Talabani. However, the sale being ex-interest, the total sale price is Tk. 500,000 plus interest accrued for 11 months (1st January to 30th November) i.e., $\text{Tk. } 55,000 (500,000 \times 12\% \times 11/12) = \text{Tk. } 55,000$. The surplus received $\text{Tk. } 555,000 (500,000 + 55,000)$ would be deemed to be income chargeable under the head “Capital gains”.
- (c) The amount of additional sum borrowed to purchase 15% XYZ Debentures at face value ex-interest is calculated as follows:

FV of 15% XYZ Debentures

Add: Payment for accrued interest for October & November 20	Tk. 700,000
Total cost	17,500
Less: Amount received from sale of ABC Debenture	717,500
Borrowings from Bank (On December 01, 2022)	555,000
(d) After the acquisition, interest on 15% XYZ debentures received in the income year is only on 31 st March for six months, as he receives the interest on a semi-annual basis. So, the interest amount received on 15% debentures is $(700,000 \times 15\% \times 1/2) = \text{Tk. } 52,500$. The next interest will be received on September 30, 2024. So, the Total interest received from debentures in the income year will be	Tk. 162,500
(e) Interest on 14% Beximco Debenture	= Tk. 28,000
Interest on 15% XYZ Debenture	= Tk. 52,500

Admissible expenses: Bank collection fee for interests

Interest on loan $(162,500 \times 10\% \times 1/2)$ (From December to June)

= Tk. 8,125
= Tk. 1,500
= Tk. 9,625
= Tk. 10,979

(4) As the sale of 10% debentures is considered as bond washing transaction by the DCT, the interest amount will be considered as the income of Mr. Jalal Talabani.



INCOME FROM SAVINGS INSTRUMENTS

During the current income year, Mr. Tareq received interest Tk. 80,000 from a 5-Year Bangladesh Sanchaypatra; Tk. 60,000 from 3 monthly profit based Sanchaypatra (bought on January 01 of the current income year), Tk. 100,000 interest on Pensioner Sanchaypatra (cumulative investment amount reached to Tk. 800,000 at the end of this income year), and Tk. 50,000 from Wage Earner's Development Bond.

You are required to determine the (1) total taxable income from interest on savings instruments (2) amount of tax liability, assuming he has no other income (3) amount of tax liability, if his cumulative investment in Pensioner Sanchaypatra reached to Tk. 400,000 at the end of the income year (4) amount of tax liability, assuming he also has income from rent Tk. 650,000 in addition to the given interest income.

1. Computation of taxable income from interest on savings instruments

Interest on 5-Year Bangladesh Sanchaypatra	Tk. 80,000
Interest on 3 monthly profit based Sanchaypatra	60,000
Interest on Pensioner Sanchaypatra	100,000
Interest on Wage Earner's Development Bond	Tk. 50,000
Less: exempted (full)	50,000
Total	Tk. 240,000

Note: As cumulative investment in Pensioner Sanchaypatra reached to Tk. 800,000 at the end of the income year, 10% TDS is applicable on it.

2. Amount of tax liability on the income from savings instruments

According to section 105, 10% TDS is applicable on income from above savings instruments which is Tk. 24,000 (10% of Tk. 240,000). Although his total income is less than the minimum non assessable limit of Tk. 350,000; the tax amount already deducted (i.e., Tk. 24,000) will be his applicable as minimum tax liability u/s 163.

1. Tax liability (when investment in Pensioner Sanchaypatra reached Tk. 4 lacs)

Interest on 5 Year Rangladesh Sanchaypatra	Tk. 80,000
Interest on 12-monthly profit based Sanchaypatra	60,000
Interest on Pensioner Sanchaypatra	Tk. 100,000
Interest on Dividend Sanchaypatra	100,000
Less: exempted full	Tk. 50,000
Interest on Wage Earner's Dev. Bond	50,000
Less: exempted full	-
Total income	Tk. 140,000

According to section 105, 10% TDS is applicable on income from above savings instruments which is Tk. 14,000 (10% of Tk. 140,000). Although his total income is less than the minimum non assessable limit of Tk. 350,000, the tax amount already deducted i.e. Tk. 14,000 will be his applicable minimum tax liability u/s 163.

4. Computation of tax liability (on income from rent and interests)

Income from regular source (rental income)	Tk. 650,000
Income on which section 163 is applicable	-
Interest on savings instruments	Tk. 240,000
Total income	Tk. 890,000

Tax liability

Income Tax applicable on regular source of income Tk. 650,000 @ regular rate (350,000 @ 0% + 100,000 @ 5% + 200,000 @ 10%)	Tk. 25,000
TDS on interest on savings instruments (10% of Tk. 240,000)	Tk. 24,000
Total tax liability	Tk. 49,000
Less: TDS	Tk. 24,000
Tax liabilities to be paid with return	Tk. 25,000

ASSESSMENT OF TAX LIABILITY

Mr. Amit Agarawal declared following income from and investment in different securities for the current income year.

Interest on US Dollar Premium Bond (USD PB)	25,000
Investment in 10% Taxable Government Securities (TGS)	200,000
Interest on 5 Year's Savings Certificate	27,000
Investment in 12% Debenture	400,000
Income from 1 year Zero Coupon Bond	12,000
Interest on FDR	18,000
Dividend	1,800

A commission was charged for collecting the interest on 12% debenture. In addition to the income from interest on securities listed above, Mr. Agarawal also has taxable income from Agriculture amounting to Tk. 750,000 during the year. In line with the Part 5 of 8 with schedule, his qualifying amount for allowable investment amounts to Tk. 150,000. Based on the information provided, compute taxable income and tax liability of Mr. Agarawal for the year.

Assessee: Amit Agarawal

Particulars of Total Income

Assessment Year: 2024	2025	Income Year: 2023 - 2024
Section	Amount	
Income from Agriculture	40	Tk. 750,000
Income from Financial Assets (workings 1)	62	117,720
Total income		Tk. 867,720

Tax computation and Payment

Gross tax before tax rebate (workings - 2)	
Less: Tax rebate (Schedule 5)	Tk. 46,772
Net tax after tax rebate (a)	22,500
Minimum tax (b)	24,272
Net amount payable [higher of (a) and (b)]	5,000
Add: Surcharges	24,272
Net Wealth Surcharge	
Environmental Surcharge	Tk. -
Add: Interest, fine, or any other payment under ITA, 2023	-
Total Amount Payable	-
Less: Payments	24,272
a. Tax deducted or collected at source	
b. Advance tax paid	Tk. 8,600
c. Adjustment of tax refund	-
d. Amount paid with return [Balancing figure]	-
Total amount paid and adjusted (a + b + c + d)	15,672
Deficit or excess	Tk. 24,272
Tax exempted income	Tk. -
	Tk. 37,000

Schedule 5

Particulars of investment allowance

Amount
Allowable investment
Total Allowable Investment
Tk. 150,000
Tk. 150,000

Tax Rebate

A. 3% of total income*	(Tk. 837,720 @ 3%)	Tk. 25,132	Lower of
B. 15% on total investment allowance	(Tk. 150,000 @ 15%)	Tk. 22,500	A, B, and C,
C. Tk. 1,000,000		Tk. 1,000,000	i.e., Tk. 22,500

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable, i.e., Tk. 867,720 - Tk. 30,000 (interest on savings certificate) = Tk. 837,720.

Workings 1: Income from Financial Assets

	Gross Income	Allowable expenses	Net Income	Exempted	Taxable
Income from interest on:					
USD PB	Tk. 25,000	Tk. -	Tk. 25,000	Tk. 25,000	Tk. -
TGS	20,000	-	20,000	-	20,000

Savings certificate [27,000 - 0.90]	30,000	-	30,000	-	30,000
Debtentures (note 2)	48,000	2,280	45,720	-	45,720
Zero-coupon bond	12,000	-	12,000	12,000	-
FDR interest [18,000 - 0.90]	20,000	-	20,000	-	20,000
Dividend [1,800 - 0.90]	2,000	-	2,000	-	2,000
Total	Tk. 157,000	Tk. 2,280	Tk. 154,720	Tk. 37,000	Tk. 117,720

Workings 2: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 387,720	On income under section 163 Tk. 30,000	Total (Tk.) 867,720
Rate	@ 0%	@ 5%	@ 10%	@ 10%	-
Tax	-	5,000	38,772	3,000	46,772

Notes: (1) TDS: Tk. 1,000 from TGS (5% on Tk. 20,000) + Tk. 3,000 from savings certificate (10% on Tk. 30,000) + Tk. 2,400 from debenture (5% on Tk. 48,000) + Tk. 2,000 from FDR interest (10% on Tk. 20,000) + Tk. 200 on dividend (10% on Tk. 2,000) = Tk. 8,600. (2) Bank commission charge 5% on net interest of debenture collected by bank i.e. 5% on (48,000 - 5% TDS) = Tk. 2,280.

KEY POINTS

- ☐ Interest receivable by the assessee on any security of the government or any security approved by government or from any debenture is taxable.
- ☐ According to the ITA, 2023, the chargeability of tax is done when interest is received or credited whatever happens earlier.
- ☐ According to section 62 of the ITA, 2023 interest on securities are to be recorded under the head "Income from Financial Assets".
- ☐ In computing the income under the head "Income from Financial Assets" deduction of bank collection fees and interest on borrowed capital are admissible.
- ☐ Income from zero coupon bond received by any person other than banks, insurance and financial institutions are fully exempted from tax.
- ☐ Interest on savings instruments is accounted under the head "Income from Financial Assets".
- ☐ Interest on commercial securities (debentures), bank deposits, and Dividend incomes are fully taxable.
- ☐ Amount of interest income need to be grossed up when interest received is net interest from taxable government securities and debentures.
- ☐ By cum interest transaction a holder of security can avoid tax and by bond washing transaction both the seller and buyer can avoid tax. But DCT has given sufficient authority to handle those cases of tax avoidance.
- ☐ In Bangladesh, the rate of tax deducted at source on securities' interest is 5%.

MULTIPLE CHOICE QUESTIONS

- Income shall be classified under the head "Income from Financial Assets" according to
 - section 40
 - section 45
 - section 57
 - section 62
- Total exemption from taxable government securities and debentures amounted to
 - Tk. 25,000
 - nil
 - Tk. 15,000
 - Tk. 5,000
- Rate of TDS on interest on securities is -
 - 5%
 - 10%
 - 15%
 - 20%
- Amount of tax exemption for interest on zero coupon bond is
 - full
 - Tk. 5,000
 - Tk. 20,000
 - nothing
- Amount of tax exemption for interest on debenture -
 - full
 - Tk. 5,000
 - Tk. 20,000
 - nothing
- Which of the following securities is eligible for tax exemption benefit?
 - Taxable gov. sec.
 - FDR
 - Debenture
 - None of these
- Bangladesh Treasury Bond is an example of -
 - tax-exempt government security
 - taxable government security
 - debenture
 - zero coupon bond
- Which of the following shall not be considered as income from financial assets?
 - Income from securities issued by the government
 - Income from securities issued by local authority
 - Income from securities issued by a company
 - Income from barga
- From the following cases which interest need to be grossed up?
 - Interest received Tk. 10,000 from tax-exempt government securities
 - Interest received Tk. 10,000 from taxable government securities
 - Investment of Tk. 1,00,000 in 10% tax-exempt government securities
 - Investment of Tk. 1,00,000 in 10% taxable government securities
- Which of the following statements is false?
 - In case of cum interest transaction seller will pay tax
 - In case of cum interest transaction buyer will pay tax
 - In case of bond washing transaction neither buyer nor the seller will pay tax
 - None of the above

TRUE (T) OR FALSE (F) IDENTIFICATION

- Dividend from equity share lies under the head income from financial assets.
- Taxable government securities get tax exemption benefit.
- Cum interest transaction help the seller of security to avoid tax.
- TDS is applicable @ 10% on interest on taxable government securities.
- Investment in debenture is not subject to investment tax rebate.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ10.1 What is income from financial assets? Which incomes are recorded under this head?
- DQ10.2 What are the conditions of taxation under interest on securities?

- Q10.3: Classify different types of securities and briefly explain each class.
 Q10.4: What is grossing up of interest? Explain how the concept is applicable for different securities?
 Q10.5: What are the admissible expenses under the head interest on security?
 Q10.6: Explain with example the tax exemption benefits applicable for different types of security.
 Q10.7: Explain with example the tax exemption benefits applicable for different types of security.
 Q10.8: Write short note on:
☐ Grossing up of interest ☐ Bond washing transaction ☐ Tax exempted income under the head interest on securities ☐ TDS applicable for the head interest on securities ☐ TDS on interest on Pensioner Savings Certificates

PROBLEM CASES (PC)

PC10.1: Followings are Mr Zia's income from different securities for the current income year: interest on taxable government securities Tk. 4,500; interest on 10% debentures Tk. 9,000 and interest on zero coupon bond Tk. 15,000. The bank has charged Tk. 1,200 for collecting the above interests. In addition, he has taken a bank loan of Tk. 100,000 @ 6% interest to purchase the 10% debentures. He has also received Tk. 900 bank interest and Tk. 18,000 as dividend. Compute the income chargeable under the head 'Income from Financial Assets' for the year.

PC10.2: Mr Jalil invested Tk. 50,000 in 10% taxable government securities and Tk. 140,000 in 10% debentures. He financed Tk. 100,000 by taking 8% loan to purchase government securities. Bank charge Tk. 1,000 as collection fee of these interests. He has also received Tk. 9000 bank interest and Tk. 9,000 as dividend. Determine taxable income for Mr Jalil for the current income year.

PC10.3: From the following information compute the income chargeable under the head 'Income from Financial Assets' for Ms. Veronica for the current income year: income from interest on taxable government securities Tk. 1,800; investment in 10% taxable government securities to the extent of Tk. 25,000; income from interest on 12% debentures Tk. 18,000, investment in 15% debentures to the extent of Tk. 20,000 and interest from zero coupon bond Tk. 8,000. The bank has charged 5% as commission for collecting the above interests. He has also received Tk. 18,000 bank interest and Tk. 5,400 as dividend.

PC10.4: From the following information compute the income chargeable under the head 'Income from Financial Assets' for Mr. Jewel for the current income year: value of 15% tax-exempt government securities Tk. 30,000; interest on tax-exempt government securities Tk. 10,000; interest on taxable government securities Tk. 9,000; value of 15% debenture Tk. 60,000; interest on 10% debentures Tk. 9,000, and income from zero coupon bond Tk. 2,000. The bank has charged Tk. 1,500 for collecting the above interests. In addition, he has taken a bank loan of Tk. 100,000 @ 6% interest to purchase the tax-exempt government securities.

PC10.5: From the given information compute the income chargeable under the head 'Income from Financial Assets' for Mr. Taleb for the current income year:
☐ interest on tax-exempt government securities Tk. 15,000;
☐ value of 15% taxable government securities Tk. 30,000;
☐ Tk. 9,500 as interest on 12% debentures;
☐ value of 15% debentures Tk. 80,000; and
☐ interest on Zero Coupon Bond Tk. 10,000

The bank has charged Tk. 3,500 for collecting above interests. In addition, he has taken a bank loan of Tk. 100,000 @ 6% interest to purchase additional 10% approved company debenture on October 01 of the income year. He has also received Tk. 27,000 as interest on 5-year Bangladesh Savins Certificate.

PC10.6: Mrs. Rabeya has Tk. 30,00,000 investment in Paribar Sanchaypatra and Tk. 20,00,000 investment in 5 Year Bangladesh Sanchaypatra. She received interests of Tk. 270,000 and Tk. 180,000 respectively from these sanchaypatras.

You are required to determine the

- ☐ total taxable income from interest on savings instruments
☐ amount of tax liability on such income, if she has no other income
☐ amount of tax liability if she has income from employment Tk. 1,200,000 (Tk. 120,000 TDS), income from financial assets (bank deposit interest) Tk. 600,000 (Tk. 60,000 TDS) in addition to the above incomes from savings instruments.

PC10.7: During the income year, Mrs. Nilufar had the following amounts from his investments in savings instruments: Tk. 300,000 as interest on 5-Year Bangladesh Sanchaypatra; Tk. 160,000 as 3 monthly profit based Sanchaypatra (bought on October 01 of the income year); Tk. 100,000 as interest on Pensioner Sanchaypatra (cumulative investment amount reached to Tk. 800,000 at the end of the income year); \$5,000 from US Dollar Bond (\$1 = Tk. 120 as on June 30, 2024).

You are required to determine the

- ☐ total taxable income from interest on savings instruments
☐ amount of tax liability on such income if she has no other income
☐ total income and net amount of tax liability on such income, if her cumulative investment in Pensioner Sanchaypatra reached to Tk. 400,000 at the end of the income year
☐ amount of tax liability if she has income from rent Tk. 600,000, income from employment Tk. 1,200,000 (on which Tk. 120,000 was deducted as TDS), income from financial assets (bank deposit interest) Tk. 600,000 (Tax Deducted on Source on which was Tk. 60,000) in addition to the above incomes from savings instruments.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
a	b	a	a	d	b	b	b	a	a	T	F	T	F	F

TRUE/FALSE

SELF-REVIEW 10.1

	(a)	(b)	(c)	(d)
Interest received	Tk 16,500	Tk 20,000	Tk 25,200	Tk 24,000
[10,000 x 100.95]				
[2,10,000 x 12%]				
[200,000 x 12%]				
Less: exemption	16,500	25,200		
	Tk Nil	Tk 20,000	Tk Nil	Tk 24,000

SELF-REVIEW 10.2

Income from Interest on Securities

(a) Interest on tax-exempt government securities	Tk 5,000	
Less: fully exempted	5,000	Tk -
(b) Interest on taxable government securities		4,000
(c) Interest on debentures		26,000
(d) Income from zero-coupon bond	Tk 2,000	
Less: fully exempted	2,000	-
(e) Interest on bank deposits (gross)		3,000
(f) Dividend (gross)		1,000
Total		Tk 34,000

11

Income from Other Sources and Additional Heads of Incomes

You can't tax business. Business doesn't pay taxes. It collects taxes.
— Ronald Reagan

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

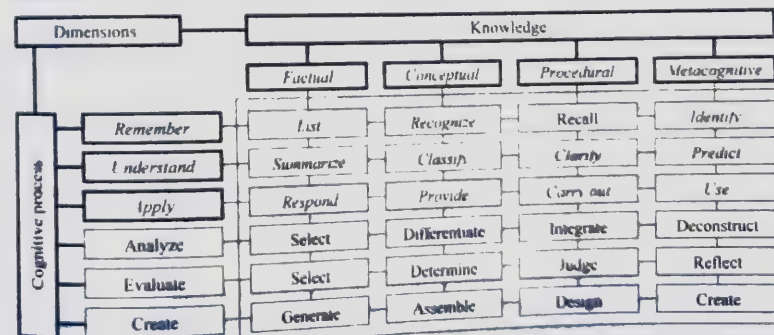
- CLO 11.1 understand the concept of other income
- CLO 11.2 identify basic components of other income
- CLO 11.3 apply taxability on different components of other income
- CLO 11.4 recognize various income not classified elsewhere
- CLO 11.5 apply TDS on different components of other income
- CLO 11.6 list income subject to minimum tax
- CLO 11.7 understand the concept of additional heads of income

KEY TERMS

Fees, Royalty, Lottery, Unexplained investments, spouse, Partnership firm, minor child, Average rate, Admissible expenses, Clubbing of income

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



11.1

CLO
11.1

INTRODUCTION

Income from other sources is the last income head out of seven as section 30 of ITA 2023 identified. The incomes other than from employment, financial assets, rent, agricultural income, business, and capital gains will be included under this head. In case of incomes which do not fit in anywhere under the first six heads, it will be considered under the head "Income from Other Sources".

11.2

CLO
11.1
11.2

SCOPE OF INCOME FROM OTHER SOURCES

According to section 66 of the ITA, 2023, the following incomes of an assessee shall be classified and computed under the head "Income from Other Sources", namely -

- ☐ royalties, license fee, fees for technical services, and income from allowing the right of using intangible assets;
- ☐ Cash subsidy paid by the government;
- ☐ Income from transfer of assets, that is natural or created by any person other than mineral deposits & hydrocarbons and goodwill;
- ☐ Receipt of any contribution, donation or gift, whatever its name may be;
- ☐ any other income of any kind or from any source which is not classifiable under any of the other heads specified in Section 30.

11.3

CLO
11.2
11.3
11.5

ROYALTY

Royalty means consideration including any lump sum excluding any return which is classifiable as income of the recipient under the head "Capital gains" for [Sec 2(79)] -

- ☐ transfer of all or any rights, including the granting license of a patent, invention, model, design, secret process or formula/trade mark or similar property;
- ☐ the imparting of information of the working of, or the use of, a patent, invention, model, design, secret process or formula/trade mark or similar property;
- ☐ the use of any patent, invention, model, design, secret process or formula, or trademark or similar property;
- ☐ the imparting of any information concerning technical, industrial, commercial, or scientific knowledge, experience or skill;
- ☐ the transfer of all/any rights, including granting license or any copyright of cinematograph film, but not including consideration for sale, distribution or exhibition of such cinematograph films;
- ☐ the rendering of any services in connection with any of the aforesaid activities.

Explanation: For royalty of any right, property/information, it is not necessary that-

- ☐ the possession or control of such right, property or information is with the payer;
- ☐ such right, property or information is used directly by the payer;
- ☐ the location of such right, property or information is in Bangladesh.

Royalty Income Deemed to Accrue or Arise in Bangladesh

According to section 27 of the ITA, 2023, following royalty income shall be deemed to accrue or arise in Bangladesh. Any income by way of royalty payable -

Chapter - 11 Income from Other Sources & Additional Heads of Income

- ☐ by the Government; or
- ☐ by a person who is a resident, except where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person outside Bangladesh or for the purposes of making/earning any income from any source outside Bangladesh; or
- ☐ by a person who is a non-resident where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.

TDS from Royalty Income

Where any payment is to be made by a specified person [U/S 140(3)] to a resident as royalties, franchise or license, trademark, patent, copyright, design, plant variant, global direction product or any other intangibles, the person responsible for making the payment shall, at the time of making payment or crediting the amount, deduct income tax on the base amount at the rate specified below [section 91].

Base amount does not exceed Tk. 25 lakh	TDS @ 10%
Base amount exceeds Tk. 25 lakh	TDS @ 12%

Note: TDS from Royalty income etc. is the minimum tax from such amount u/s 163.

Chargeability of Tax on Royalty Income: Points to Remember

- ☐ If the royalty is received on a regular yearly basis, it is to be shown as the income in the year when it is received.
- ☐ Royalty income is fully taxable as no exemption is allowed.

11.4

CLO
11.2
11.3
11.5

FEES: LICENSE, PROFESSIONAL & TECHNICAL SERVICE

The term "License Fee" has not been defined in the ITA, 2023. Generally, license fee means a payment made to a person or a company or an organization (licensor) for the permission to do or use something. For example, license fees are usually paid for the right to use software and patents.

Similarly, "Fees for technical services" means any consideration (including any lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project undertaken by the recipient, or consideration which would be income of the recipient classifiable under the head "Income from Employment" [section 2(30)].

Fees for Technical Services Deemed to Accrue or Arise in Bangladesh

Following fees for technical services shall be deemed to accrue or arise in Bangladesh [section 27(f)]. Any fees income for technical services payable -

- ☐ by the Government; or
- ☐ by a resident person, except if such fees are payable in respect of services utilized in a business and carried on by any such person outside Bangladesh or for making or earning any income from any source outside Bangladesh; or
- ☐ by a non-resident person where such fees are payable in respect of services utilized in a business/profession carried on by such person in Bangladesh or for the purposes of making or earning any income from any source in Bangladesh.

TDS from Fees for Services

Where any payment is to be made by a specified person to a resident as fees for any service, the person responsible for making the payment shall, at the time of making payment deduct income tax at the rate of 20% (Twenty percent) [section 90].

Note: TDS from Royalty income etc. is the minimum tax from such amount u/s 163.

Chargeability of Tax on Fees for Technical Services: Points to Remember

- ☐ Fees for Technical Services are taxable in the year when it is received or in the year when it is deemed to accrue or arise in Bangladesh.
- ☐ It is considered minimum of tax liability as per section 163.

Example: Mr. Y has received Fees for technical services from Hasan Traders Tk. 16,000. His taxable income should be Tk. 20,000 $[16,000 \times 100 \div 80]$ Tk. 20,000, which should also be considered as minimum tax liability as per section 163.

11.5

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CASH SUBSIDY PAID BY THE GOVERNMENT

A subsidy is a benefit given to an individual, business, or institution, usually by the government. The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public, given to promote a social good or an economic policy. Cash subsidy paid by the government shall be considered under the head "Income from Other Sources". 10% TDS is applicable on export cash subsidy under section 112 which is a final payment of tax as specified under SRO 253-Law/IT-09/2023 dated 23/08/2023.

Example: Mr. X has received Tk. 100,000 as cash subsidy from the government. Full amount will be considered as income under the head "Income from Other Sources".

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INCOME FROM TRANSFER OF ASSETS

Income from transfer of assets, that is natural or created by any person other than mineral deposits & hydrocarbons and goodwill, is taxable as income from other sources. Such as, income from transfer of machinery, plant, furniture etc. and any other assets, including intangible, is taxable as income from other sources. In this case the transfer does not constitute a business activity.

Example: Mr. X has received income from transfer of personal car Tk. 5,000 and from transfer of multimedia projector Tk. 10,000. Both of these two incomes are fully taxable and to be considered as income under the head "Income from Other Sources".

11.7

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11.3

RECEIPT OF ANY CONTRIBUTION, DONATION OR GIFT

Receipt of any contribution, donation or gift, whatever its name may be, shall be recorded under the head "Income from Other Sources". According to Para 35, Part 1 of the Sixth Schedule, any asset received as a gift from a spouse, parent or child, if it appears in the returns of the donor and the recipient shall be excluded from computation of gross income. It is to be provided that in a case where the said donation is repatriated from abroad to the recipient in Bangladesh through banking channel, the condition of appearing in the donor's return shall not apply.

Example: Mr. X has received Tk. 100,000 as gift from his (a) friend Y and (b) father. For (a) full amount will be considered as income under the head "Income from Other Sources". However, gift from father [as in (b)] will be excluded from the income computation.

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TYPICAL INCOMES (UNEXPLAINED INVESTMENTS) TO BE INCLUDED UNDER INCOME FROM OTHER SOURCES

According to section 67 of the ITA, 2023, the following typical incomes of an assessee (mostly unexplained investments and expenditures) shall also be classified and computed under the head "Income from Other Sources":

- ☐ **Unexplained credits [section 67(2)]:** Any sum credited in the books of an assessee maintained for any income year and the assessee offers no explanation about the nature and source thereof, or the explanation offered is not satisfactory, the sum so credited shall be deemed to be his income for that income year classifiable under the head "Income from other sources".
- ☐ **Unexplained increase in net wealth [section 67(3)]:** Where, in any income year, the assessee becomes the owner of any asset or takes any loan or made spending or do any transaction that influences the value of his assets, and if total value of $(A+B+C)$ exceeds $(D+E+F)$, the amount equal to the $[(A+B+C) - (D+E+F)]$ shall be deemed to be the income of the assessee for such income year under "Income from other sources", where A: Increases in net wealth; B: Total expenses made; C: Other expenditure except A & B from fund; D: Total income; E: Tax exempted income and allowance; and F: Other receipts/sources except D & E.
- ☐ **Purchase of assets at a price lower than the fair market value [section 67(4)]:** Where any assets, not being stock-in-trade or financial assets, are purchased by an assessee from any person and the DCT has reason to believe that the price paid by the assessee is less than the fair market value thereof, the difference between the price so paid and the fair market value shall be deemed to be income of the assessee under the head "Income from other sources".

SELF - REVIEW
11.1

Mr. Samad has received royalty where the base amount is (a) Tk. 10,00,000 (2) Tk. 30,00,000. What tax will be deducted at source u/s 91?

- *Goodwill money or compensation [section 67(5)]:* Where any amount is received by an assessee during any income year by way of fee, commission, goodwill money or receipt in the nature of compensation or damages for cancellation or termination of contracts and licenses by any person, such amount shall be deemed to be the income of such assessee for that income year classifiable under the head "Income from other sources".
- *Salami or premium for granting leases [section 67(6)]:* Where any lump sum amount is received or receivable by an assessee during any income year on account of salami or premia receipts by virtue of any lease, such amount shall be deemed to be income of the assessee of the income year in which it is received and classifiable under "Income from other sources".
- *Payment made without deducting taxes for acquiring assets [section 67(7)]:* Where any payment made for acquiring any asset or constitutes any asset and tax has not been deducted therefrom in accordance with Part 7 of the ITA, 2023, such payment shall be deemed to be the income of the person responsible for making the payment under this Ordinance and classifiable under the head "Income from other source" in the income year in which the payment was made.
- *Benefit or advantage for cancellation of indebtedness [section 67(8)]:* Where any benefit or advantage, whether convertible into money or not, is derived by an assessee during any income year on account of cancellation of indebtedness the money value of such benefit shall be deemed to be his income for that income year as "Income from other sources". Provided that the provisions of this sub-section shall not apply in case of
 - a loan or interest waived for an individual assessee by a commercial bank or a finance company registered under Finance Company Act, 2023;
 - a benefit or advantage, of an individual assessee, upto Tk. ten lakh [10 lac] resulting from the waiver of margin loan or interest thereof by a registered merchant banker and portfolio manager or stock broker under Bangladesh Securities and Exchange Commission Act, 1993 or rules made thereon in respect of the assessee's investment in securities transacted in the stock exchange;
- *Winning from lotteries, crossword prizes etc. [section 67(9)]:* Any amount received by an assessee during any income year by way of winnings from lotteries, crossword puzzles, card games and other games of any sort or from gambling or betting in any form or of any nature whatsoever shall be deemed to be his income for that income year under the head "Income from other sources".

Chapter - 11 Income from Other Sources & Additional Heads of Income

- *Disclosing investment in equity of an unlisted company [section 67(10)]:* Where a company, not listed with any stock exchange, receives paid up capital from any shareholder during any income year in any other mode except by crossed check or bank transfer, the amount of paid up capital shall be deemed to be the income of such company for that income year under 'Income from other sources'. Provided that the provisions of this sub-section shall not apply if the capital is received in form of any assets or services other than cash as per the Company Act, 1994 (Act No 18 of 1994).
- *Receipt of loan by a company other than bank transfer [section 67(11)]:* Where any sum is claimed or shown to have been received as loan by company otherwise than by a bank transfer, the amount is deemed to be the income of such assessee for the income year in which such loan was received, and shall be classifiable under the head 'Income from other sources'. Provided that where a loan or part thereof, which was deemed as the income under this sub-section and included in the total income of the Assessee, is repaid in a subsequent income year, the repaid amount shall be deducted in computing the income of the Assessee for that income year;
- *Purchase or hire of car at a price exceeding 10% of paid up capital [section 67(12)]:* Where an assessee, being a company, purchases directly or on hire one or more motor car or jeep and value of any motor car or jeep exceeds ten percent of its paid up capital together with reserve and accumulated profit, then fifty percent of the amount that exceeds such ten percent of the paid up capital together with reserve and accumulated profit shall be deemed to be the income of such assessee for that income year classifiable as "Income from other sources".
- *Receipt of loan by an individual assessee other than bank transfer [section 67(13)]:* Where any sum exceeding Tk. 5 (five) lac is claimed or shown to have been received as loan, advance or deposit of any kind called by whatever name, or gift by an assessee, being an individual, otherwise than by a crossed check or bank transfer, from an individual, the amount is deemed to be the income of such assessee for the income year in which such loan, advance or deposit of any kind called by whatever name, or gift was received, and shall be classifiable under the head 'Income from other sources'. Provided that the provisions of this sub-section shall not apply in case of –
 - such is received through a banking channel or involved a formal channel and is from the assessee's spouse/parents/sons/daughters and are shown in the return of both donor and the recipient.
 - deposits received by any organization registered with a Bank or finance company or an organization registered with Micro Credit Regulatory Authority or NGO Affairs Bureau.
- *Defaulter in due payment for purchase by real estate business [section 67(14)]:* Where an assessee, not being an assessee engaged in real estate business during any income year, purchases on credit any material for the purpose of construction

of building or house property or its unit and fails to pay the sum or any part thereof representing the liability in respect of such purchase, the sum or any part thereof, which has not been paid within two years from the end of the income year in which the purchase was made, shall be deemed to be the income of the assessee for the income year immediately following the expiry of the said two years and be classifiable under the head "Income from other sources".

11.9

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11.4

INCOME NOT CLASSIFIED UNDER ANY HEAD

According to section 30 of the Income Tax Act 2023, for the purpose of charge of income tax and computation of total income, seven heads of income are used, namely from employment, financial assets, rent, agricultural income, business, capital gains and income from other sources. As per Section 66 of the Income Tax Act 2023, incomes which don't fall under any of the first six categories, will be included under the head "income from other sources".

But in the "Specimen Form of Income Tax Return – IT Ga (2023)" under the Income Tax Return Rules, 2023 total 10 heads have been listed. Among those the additional heads are Share of profit in a firm or AOP, Income of the spouse or minor child as applicable under section 31 and foreign income. So, incomes which don't fall under any category of the above nine items will fall under the head "Income from Other Sources". Such as:

- ☐ Sum received by virtue of position or service, not from employer, i.e., director's fee.
- ☐ Insurance commission
- ☐ Honorarium from writing articles in newspapers, magazines or journals.
- ☐ Remuneration as examiner and invigilator.
- ☐ Income received from vacant land adjacent to assessee's house.
- ☐ Royalty from mines.
- ☐ Income from Ferry Ghat.
- ☐ Income from Tuition.
- ☐ Income from undeclared money, or black money, if identified.
- ☐ Income from underwriting commission for sale of shares and securities.
- ☐ Income from patent / license.
- ☐ Income from Television or Radio for participating in a program.
- ☐ Non-agricultural income: sale of forest timber or fruits or honey or fish (other than firm)
- ☐ Income from rent of boat.
- ☐ Income from letting out household appliances like furniture, machineries;
- ☐ Income from sub-letting of a house property by a tenant;
- ☐ Casual income;
- ☐ Income from undisclosed sources;
- ☐ Interest received on delayed refund;
- ☐ Any other income not classified under any head.

EXHIBIT

11.1

Examples of Unexplained Investments

Case 1: Mr. X has shown cash credit of Tk. 5,000 in his books of account in the income year for which no satisfactory explanation is given. Full Tk. 5,000 will be considered as an 'Income from other Sources'.

Case 2: Mr. X has shown an investment of Tk. 15,000 against purchase of jewellery. But the DCT in his investigation has found that the actual value of jewellery purchased is Tk. 20,000. Here, the excess amount Tk. 5,000 will be considered as "Income from other Sources".

Case 3: In an investigation it has been found that Mr. X has visited India as a tourist where he spent Tk. 65,000 and in addition to it also purchased ornaments of Tk. 40,000 for his wife. He was not able to provide satisfactory explanation about the sources of this expenditure. The total unexplained expenditure of Tk. (65,000 + 40,000) = Tk. 105,000 will be considered as an income.

Case 4: Mr. X has made investments of Tk. 50,000 in the financial year preceding the assessment year and neither he has shown it in his books nor offers any satisfactory explanation regarding the source of fund. The invested amount Tk. 50,000 will be considered as an income.

Case 5: In an investigation in the financial year immediately preceding the assessment year, it has found that Mr. X owns cash of Tk. 200,000; jewellery of Tk. 45,000, land of Tk. 200,000. He has not shown those in his books and offers no satisfactory explanation regarding the source of fund. So, the unexplained asset of Tk. (200,000 + 45,000 + 200,000) = Tk. 445,000 will also be considered as an "Income from other Sources".

Case 6: An investigation reveals that Mr. X's claim of paying Tk. 10 lac to acquire a car from Navana Motors Ltd is with a fair market value of Tk. 12 lac. The DCT has no reason to believe the explanation of the assessee. So, the difference between the values (reported and fair value) Tk. 2 lac will also be considered as an income.

Case 7: In an investigation, it has seen that Mr. X has received Tk. 12,000 on account of salary in the income year 2023 – 24 by virtue of a lease. So, Tk. 12,000 will be recorded as an "Income from other Sources".

Case 8: In an investigation, it has been seen that Mr. X has received Tk. 35,000 as compensation from a party for cancellation of contracts. This Tk. 35,000 will also be considered as an "Income from other Sources".

Case 9: In an investigation, it has been seen that Mr. X has got a benefit of Tk. 15,000 from his bank on account of cancellation of indebtedness. Hence, Tk. 15,000 will also be considered as an "Income from other Sources".

Case 10: In an investigation, it has seen that Mr. X has received Tk. 10,000 as commission for termination of agency. Here, Tk. 10,000 will be considered as "Income from other Sources".

Case 11: X Ltd., a Private Limited Company, has issued additional 10,000 shares @ Tk. 10 each to increase the paid-up capital and the proceed has been received in form of cash. In this case Tk. 100,000 will be shown under the head "Income from other Sources" as the amount has not been received by cross check or bank transfer.

Case 12: X Ltd., a Private Limited Company with paid up capital of Tk. 10,000,000. The company has purchased a car for Tk. 1,500,000. In this case, 50% of the amount that exceeds such ten percent of the paid-up capital i.e. 50% of (1,500,000 – 1,000,000) = 50% of Tk. 500,000 = Tk. 250,000 will be shown as income from other sources.

Case 13: Mr. X has received Tk. 100,000 from lottery, Tk. 10,000 as a reward from prize bond, Tk. 10,000 from online game and Tk. 40,000 for being man of the match in a game. Here, Total 160,000 will be considered as "Income from other Sources". But from all those items tax will be deducted at source @ 20% as minimum tax.

Case 14: ABC Builders Limited has purchased material of Tk. 100,000 on account for construction of building during income year 2019-20 and failed to pay the amount due within the following two income years 2019-20 and 2021-22. Here, in the income year 2022-23, Tk. 100,000 will be shown under "Income from other Sources".

11.10 ALLOWABLE DEDUCTIONS [SECTION 68]

CLO
11.3

Following expenses are allowed to deduct from 'income from other sources':

- ☐ Any expenditure, not capital in nature or personal expenses of the assessee, incurred solely for the purpose of making or earning the relevant income. For being allowable, the rationality of the incurrence of such expenditure must be considered
- ☐ No expenses will be allowable against the income earned under section 67 [except sections 67(5) & 67(6)].

11.11 INADMISSIBLE DEDUCTIONS [SECTION 69]

CLO
11.3

Notwithstanding anything of this section, no allowance shall be made on account of -

- ☐ any expense allowed against any assets partly or wholly in any income year, shall not be admissible again against the same asset.
- ☐ The limitations and limit of allowable expenses u/s 55 should be applicable in similar issues under this head.

11.12 TAX RATE FOR LOTTERY INCOME, WINNING PRIZES ETC.

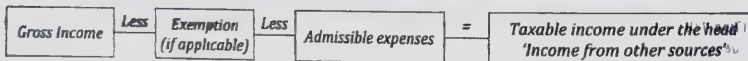
CLO
11.6

According to section 118 of the ITA, 2023, the person responsible for paying any amount of winning from lotteries, crossword puzzles, card games, online game, and other games of any sort shall, at the time of making such payment, deduct tax payable on the amount at the rate of twenty (20%) percent. This is considered as minimum of tax under section 163.

EXHIBIT

11.2

Points to Remember in Computing Taxable Income



- Incomes that don't fall under any other head, are to be included under "Income from Other Sources"
- Incomes that need to be grossed up [amount received $\times 100 \div 90$] include royalty income, fees from technical services, etc.
- Admissible expenses: any revenue expenditure incurred for making earnings.
- Income from other sources also includes any commission/fee received from parties other than employer, income from prize bond/lottery/quiz competition/crossword, royalty income from books/mine/ferri, income/commission/fee as remuneration of director, non-agricultural income like sale of forest trees, sale of fruits, sale of honey, sale of fish of pond (other than farm) etc., income from invigilation & exam script evaluation, writing articles/columns in newspapers, participating in radio/TV/cultural programs, lease of non-agricultural land, tuition, underwriting commission for sale of shares and securities, income from non-resident husband/wife (if not brought through banking channel), income from patent/license, income from rent of boat/mooring terminal, income from letting out household appliances like furniture etc., unexplained investments deemed to be income u/s 67, any other income not classified under any head.

11.13 ADDITIONAL HEADS OF INCOMES

CLO
11.7

For charge of income tax and computation of total income, seven heads of income are used, namely from employment, financial assets, rent, agricultural income, business, capital gains and income from other sources [Sec. 30]. As per Section 66 of the ITA, 2023, incomes which don't fall under any of the first six categories, will be included under the head "income from other sources". But in the "Specimen Form of Income Tax Return - IT Ga (2023)" under the Income Tax Return Rules, 2023 total 10 heads have been listed. Among those the additional heads are Share of profit in a firm or AOP, Income of the spouse or minor child as applicable u/s 31 and foreign income.

11.14 SHARE OF INCOME FROM FIRM OR AOP

CLO
11.7

Partnership is an abstract relationship between the partners under certain circumstances. This is governed by the Partnership Act, 1932. As assessment is done for individuals, it is also done for a Partnership Firm. If an assessee is a partner of a firm and receives a certain amount of money as share of income from the firm, it will be shown separately in the Income tax return under the head "Share of income from firm or AOP".

11.15 FOREIGN INCOME

CLO
11.7

According to section 26(a) of the ITA, 2023, all those incomes which accrue or arise outside Bangladesh is included under the head "Foreign Income". According to section 26(a)(iii), the total income of any income year of a resident [whether Bangladeshi or foreigner] also includes, all income, from whatever sources derived which accrues or arises to him outside Bangladesh during that year. So, foreign income is taxable for residents. But for a non-resident [whether Bangladeshi or foreigner], this will not be considered as foreign income; and hence will not be included in total income. It should be noted that foreign income doesn't include any income from export as it is considered under "Income from Business".

Terms of Foreign Income

According to section 27 of the ITA, 2023, some incomes accrue or arise in Bangladesh may be considered as foreign income and some other income accrue or arise outside Bangladesh may not be considered as foreign income. Such as -

- ☐ Any income which falls under the head "income from employment", wherever [even in outside Bangladesh] paid if it is earned in Bangladesh; or it is paid by the Government or a local authority in Bangladesh to a citizen of Bangladesh in the service of such Government or authority; will be considered as income deemed to accrue or arise in Bangladesh. i.e., domestic income [section 27(a)];
- ☐ Any income accruing or arising, whether directly or indirectly, through or from - (a) any permanent establishment in Bangladesh; or (b) any property, asset, right or other source of income, including intangible property, in Bangladesh; or (c) the transfer of any assets situated in Bangladesh; or (d) the sale of any goods or

services by any electronic means to purchasers in Bangladesh; or (e) any intangible property used in Bangladesh; will be considered as income deemed to accrue or arise in Bangladesh. i.e., domestic income [section 27(b)];

- Where the shares of any non-resident company is transferred, wherever the transfer takes place, proportional transfer value associated to the transfer of assets in Bangladesh shall be considered as the transfer of assets in Bangladesh i.e., domestic income [section 27(c)];
- Any dividend paid outside Bangladesh by a Bangladeshi company will not be considered as foreign income [section 27(d)];
- Any income by way of interest payable, fees for technical services payable and royalty payable even if it is deemed to accrue or arise outside Bangladesh, will be domestic income if –
 - It is paid by the Government; or
 - It is paid by a person who is a resident or non-resident, where the interest, fees and royalties are payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person in Bangladesh or for the purpose of making or earning any income from any source in Bangladesh [section 27(e)(f)];
- But, any income by way of interest payable, fees for technical services payable and royalty payable will be considered as *foreign income*, if the interest, fees and royalties is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person outside Bangladesh or for the purpose of making or earning any income from any source outside Bangladesh [section 18(e)(f)].

Income Tax on Foreign Income

According to various provisions of the ITA, 2023 and SROs, following rules will be applicable for charging tax on foreign income:

- Excluding company, if any individual assessee being a Bangladeshi citizen brings any income deemed to accrue or arise outside Bangladesh through banking channel, such income will be tax exempted and will not be included in total income [Sixth Schedule, Part I, Para 17].
- But if it is not brought through banking channel, it will be included in total income, and hence will be taxable at normal rate.
- If a non-resident Bangladeshi other than company sends foreign remittance through banking channel, or invests it in a new local industry, shares, debentures or any government bond, no tax will be charged on it.



What are the additional heads of income under the IT Return Rules, 2023?

11.16 INCOME OF THE SPOUSE OR MINOR CHILD

CLO
11.7

An assessee is generally taxed in respect of his own income. However, there are certain cases whereas assessee has to pay tax in respect of income of another person. The provisions for the same are contained in section 31 of the ITA. These provisions have been enacted to counteract the tendency on the part of the taxpayers to dispose of their property or transfer their income in such a way that their tax liability can be avoided or reduced. For example, in the case of individuals, income tax is progressive i.e., as the income increases, the applicable rate of tax increases. Some taxpayers in the higher income bracket have a tendency to divert some portion of their income to their spouse, minor child etc. to minimize tax burden. To prevent such tax avoidance, clubbing provisions have been incorporated in the ITA, 2023, where income arising to certain persons (like spouse, minor child etc.) have to be included in the income of the person who has diverted his income for the purpose of computing tax liability.



Mention the status of "Foreign Income" in computing total income of an assessee in terms of his residential status.

SOLVED PRACTICAL CASES (SPC)



LOTTERY INCOME, ROYALTY INCOME, UNEXPLAINED EXPENDITURES ETC.

Compute taxable income for Mr. Zaman considering his income for the year includes remuneration for exam script evaluation and invigilation Tk. 1,000; prize of winning prize bonds lottery Tk. 24,000; sale of fish of pond Tk. 1,000; sale of tree and bamboo Tk. 1,500; income from copyright and royalty Tk. 4,000; remuneration as director Tk. 15,000; income from marriage anniversary Tk. 5,000; and income from license Tk. 2,000. During the year he has purchased jewellery of Tk. 125,000, source of which has not been explained to the DCT.

Assessee: Zaman	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
		Amount
<i>Income from other sources (section 66)</i>		Tk. 1,000
Remuneration for exam script evaluation		30,000
Prize of prize bond lottery (24,000 ÷ 80 × 100)		1,000
Sale of fish of pond		1,500
Sale of tree and bamboo		4,000
Income from copyright and royalty (note 1)		15,000
Remuneration as director		2,000
Income from license		125,000
Unexplained investment to purchase jewelry		Tk. 179,500
Total		

Notes: (1) Assuming copyright and royalty has been received from a person, hence no TDS is allowed (2) Income from marriage anniversary is a gift hence exempted from income tax

SPC
11.2

LOAN AMORTIZATION, UNEXPLAINED EXPENDITURES, INVESTMENT

Mr. Mustaq has earned the following incomes for the current year. Compute his taxable income considering his income from royalty of a book Tk. 2,000; income from a part-time job Tk. 10,000; prize of winning crosswords Tk. 1,600; income from letting out household machineries Tk. 1,000; sale of forest timber Tk. 1,500; rent of a shop owned by him Tk. 4,000; gain from loan amortization Tk. 10,000; income from a newspaper for column writing Tk. 5,000; and income from unused leased land Tk. 2,000. During the year he spent Tk. 200,000 on a party in Hotel Radisson, the source of this expenditure remained unexplained to the DCT. He has also visited Singapore incurring total cost of Tk. 100,000 and purchased a diamond set of Tk. 175,000 for his wife for which the source of the money was unexplained. He has paid Tk. 1000 commission for collecting the royalty.

Assessee: Mustaq	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from other sources (section 66)		Amount
Income from royalty of a book		Tk. 2,000
Income received from a part-time job		10,000
Prize of winning crosswords (1,600 ÷ 80 × 100)		2,000
Income from letting out household machineries		1,000
Sale of forest timber		1,500
Income from rent of a shop		4,000
Gain from loan amortization		10,000
Income from newspaper column writing		5,000
Income from unused leased land		2,000
Unexplained investments (note 1)		475,000
		Tk. 512,500
Less: Allowable deductions (note 2)		1,000
Total		Tk. 511,500

Notes: (1) unexplained investments Tk. 475,000 include party in hotel Tk. 200,000, travel to Singapore Tk. 100,000, and purchase of diamond jewellery Tk. 175,000 (2) Allowable deduction Tk. 1,000 include commission for collecting royalty.

SPC
11.3

HONORARIUM, AGENCY COMMISSION, C&F COMMISSION

Compute taxable income of Mr. Jaber for the current income year considering his honorarium from a Symposium Tk. 35,000; honorarium received as a resource person for providing training Tk. 5,000; royalty income from a company Tk. 1,800; commission received as insurance agent Tk. 9,500; prize of winning Crosswords Tk. 2,400; commission from clearing and forwarding (C&F) agency business Tk. 5,950; amount received as director's fee Tk. 1,500; income from private tuition in a coaching center Tk. 10,000; income from a newspaper for column writing Tk. 5,000; and

Chapter – 11 Income from Other Sources & Additional Heads of Income

income from delivering a speech in a seminar Tk. 3,500. During the year he spent Tk. 200,000 on the marriage ceremony of his only daughter, the source of expenditure remained unexplained to the DCT. He has also visited India along with his family where he spent Tk. 100,000 and purchased a jewellery set of Tk. 50,000 for his wife for which the source of the money was unexplained.

Assessee: Jaber	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from other sources (section 66)		Amount
Honorarium for attending a symposium		Tk. 35,000
Honorarium from a training program		5,000
Royalty income from company (1,800 ÷ 90 × 100)		2,000
Commission as insurance agent (9,500 ÷ 95 × 100)		10,000
Prize of winning crosswords (2,400 ÷ 80 × 100)		3,000
Commission from C&F business (5,950 ÷ 85 × 100)		7,000
Director's fee		1,500
Income from private tuition		10,000
Income from newspaper column writing		5,000
Income from speech		3,500
Unexplained investments (note 1)		350,000
Total		Tk. 432,000

Note: (1) unexplained investments include expenditure in daughter's marriage Tk. 200,000, travel to India Tk. 100,000, and purchase of jewellery Tk. 50,000.

SPC
11.4

UNIT FUND DIVIDEND, COMPENSATION, FAIR VALUE OF INVESTMENT

Compute taxable income for Mrs. Zaman considering her income for the current income year as: fees for technical services from a foreign contractor Tk. 18,000; winning prize bonds lottery Tk. 20,000; receipt of salami for granting leases Tk. 10,000; compensation received for contract termination Tk. 15,000; income from copyright and royalty Tk. 4,000; and income from participating in a television talk show Tk. 2,000, income from transfer of a painting drawn by him Tk. 5,000; receipt of gift from his friend Tk. 10,000. During the year she has purchased a flat at Tk. 6,000,000. After an investigation, the DCT found the fair market value of the flat is Tk. 6,175,000.

Assessee: Mrs. Zaman	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from other sources (section 66)		Amount
Fees for govt. technical service [18,000 ÷ 90 × 100]		Tk. 20,000
Prize bonds lottery [20,000 ÷ 80 × 100]		25,000
Salami for leases		10,000
Compensation		15,000
Income from copyright and royalty (note 1)		4,000
Income from Talk Show		2,000
Income from transfer of assets		5,000

Gift from friend	10,000
Unexplained investments [6,175,000 – 6,000,000]	175,000
Total	Tk. 266,000

Note: (1) Assuming copyright and royalty has been received from a person, hence no TDS is allowed.

SPC
11.5

COMPUTING TAX LIABILITY

Mr. Salam has earned incomes for the current income year as: salary Tk. 600,000 (including employer's contribution to RPF Tk. 30,000); income from underwriting shares of a company Tk. 3,000 and from mooring terminal Tk. 15,000; honorarium received as director of a Board Tk. 1,000; interest on loan given to a friend Tk. 1,000; income from consultancy work not related to his profession Tk. 4,000; income from participating in a training Tk. 10,000; receipts from Birthday Party Tk. 5,000; and income from lump sum royalty of a book Tk. 40,000 from a sole tradership publishing house. It took him two years to write the book. During the year he spent Tk. 2 lac to purchase a piece of land, Tk. 90,000 to purchase a motorcycle and the source of these investment remained unexplained to the DCT. Through investigation, the DCT has also identified an FDR of Tk. 5 lac in a local bank which has also not been explained. He has also visited India incurring total cost of Tk. 1 lac and purchased a diamond set of Tk. 1 lac for his wife for which the source of the money was also unexplained. His other expenditures during the year include purchase of books and magazine Tk. 5,000; donation to Government's Zakat Fund Tk. 200,000; contribution to a DPS Tk. 12,000 per month; purchase of a cow for 'Qurbani' Tk. 15,000; purchase of a laptop Tk. 130,000 and purchase of primary shares Tk. 30,000. Compute taxable income and tax liability of Mr. Salam for the year considering TDS from his salary during the year was Tk. 40,000 and net wealth Tk 6 crore at the end of the income year.

Assessee: Salam	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Particulars of Total Income	Section	Amount
Income from Employment	32	Tk. 600,000
Income from other sources (workings 1)	66	1,064,000
Total income		Tk. 1,664,000
Tax computation and Payment		
Gross tax before tax rebate (workings 2)		Tk. 182,800
Less: Tax rebate (Schedule 5)		49,920
Net tax after tax rebate (a)		132,880
Minimum tax (b)		5,000
Net amount payable [higher of (a) and (b)]		132,880
Add: Surcharges –		
Net Wealth Surcharge (10%)		Tk. 13,288
Environmental Surcharge		13,288
Add: Interest, fine, or any other payment under ITA, 2023		

Total Amount Payable

Less: Payments-

- Tax deducted or collected at source
- Advance tax paid
- Adjustment of tax refund
- Amount paid with return [Balancing figure]

Total amount paid and adjusted (a + b + c + d)	106,168
Deficit or excess	Tk. 146,168
Tax exempted income	Tk. -
	Tk. -

Schedule 5

Particulars of investment allowance

	Amount
1. Employer's and Employee's contribution to RPF (30,000 + 30,000)	Tk. 60,000
2. Donation to govt. zakat fund	200,000
3. Deposit pension scheme (max Tk. 120,000)	120,000
4. Primary share purchase	30,000
Total Allowable Investment	Tk. 410,000

Tax Rebate

- 3% of total income* (Tk. 1,664,000 @ 3%)
- 15% on total investment allowance (Tk. 410,000 @ 15%)
- Tk. 1,000,000

Tk. 49,920	Lower of
Tk. 61,500	A, B, and C,
Tk. 1,000,000	i.e., Tk. 49,920

*excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings 1: Income from other sources

Income from underwriting shares	Tk. 3,000
Income from mooring terminal	15,000
Honorarium received	1,000
Interest on loan given to a friend	1,000
Income from consultancy work	4,000
Income from training program	10,000
Income from royalty of a book	40,000
Unexplained investments (note 1)	990,000
Total	Tk. 1,064,000

Workings 2: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 314,000	Total (Tk.)
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	-
Tax	-	5,000	40,000	75,000	62,800	182,800

Notes: (1) Unexplained investment includes Tk. 200,000 for purchase of land, Tk. 90,000 for purchase of motorcycle, Tk. 500,000 for FDR in Bank, Tk. 100,000 for travel to India, and Tk. 100,000 for purchase of diamond set.



INCOME OF THE SPOUSE, MINOR CHILD, AND MARRIED DAUGHTER

Considering the followings, compute income of the spouse or minor child of Mr. X:

- ☐ Mr. X has purchased shares of Tk. 100,000 of a private limited company in the name of his wife from which his wife has received Tk. 36,000 as dividend. His wife has No e-TIN.
- ☐ Mr. X has gifted Prize bond of Tk. 20,000 to his 10 years old son. His son has received Tk. 100,000 as reward from winning the lottery.
- ☐ Mr. X has deposited Tk. 50,000 as fixed deposit in the name of his married daughter from which his daughter has received Tk. 5,000 as interest income.
- ☐ Mr. X has received Tk. 9,000 interest on the savings account of his minor child.

Assessee: X	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income of the spouse or minor child		Amount
Dividend income of the spouse $[36,000 + 90 \times 100]$		Tk. 40,000
Interest on minor's bank account $[(9,000 \times 100) \div 90]$		10,000
Total		Tk. 50,000

Notes: (1) It has been assumed that his wife has not submitted any return in her own name. (2) Income from any gifted assets to the minor child or spouse will not be included in the total income. (3) Income from assets transferred directly or indirectly to the married daughter will not be included in the total income.

KEY POINTS

- ☐ Income not classified under any head is considered as income under this head.
- ☐ Examples of income from other sources are royalties, fees for technical services, cash subsidy from government, income from transfer of machinery, plants, etc.
- ☐ Royalty income is taxable in the year of receipt.
- ☐ Unexplained expenditures are "Income from Other Sources" as per section 67.
- ☐ TDS rate from export cash subsidy is 10% which is the final payment of tax.
- ☐ TDS on winning from lotteries, crossword puzzles, card games, online game, and other games of any sort is 20%.
- ☐ Any unexplained investment is treated as 'income from other sources'.
- ☐ According to the Income Tax Rule 2023, with heads specified in section 30 of the ITA, 2023, other additional heads are 'Share of profit in a firm', 'Income of the spouse or minor child' and 'foreign income'.
- ☐ If any resident assessee, other than a company, brings any foreign income through banking channel, such income will be tax exempted.
- ☐ The inclusion of other's income in the total income of an assessee is known as "Clubbing of Income" which basically indicates income of spouse or minor child.
- ☐ If the individual is not a partner in the firm in which the spouse or minor child has a share, the spouse's or minor child's share of profits in such a firm cannot be included under this section in the individual's total income.

MULTIPLE CHOICE QUESTIONS

- Income from other sources excludes -
(a) dividend income (b) fees for services (c) foreign income (d) royalties
- Under which section provisions regarding unexplained investments have been given? -
(a) 66 (b) 67 (c) 68 (d) 22
- TDS on _____ will be an example of the final payment of tax.
(a) royalty (b) fees for technical services
(c) unexplained investments (d) export cash subsidy
- The applicable tax rate of TDS on royalty income is -
(a) 5% (b) 10% (c) 15% (d) 20%
- Which of the following income shall be included under "Income from Other Sources"?
(a) Profit from Islami Bank (b) Dividend income against preference shares
(c) Interest on fixed deposits (d) Unexplained investments
- The applicable tax rate of TDS on lottery income is -
(a) 5% (b) 10% (c) 15% (d) 20%
- Income of the spouse or minor child is under which of the following section of the ITA, 2023?
(a) 43 (b) 30 (c) 28 (d) 31
- Which of the following income sources be included in the income from spouse or minor child?
(a) Assets gifted to minor child. (b) Married daughter's asset
(c) Spouse's asset who submits separate return (d) Minor child's bank account
- Tk. 27,000 received as royalty from Dhaka Bank Limited, will be added in the total income by -
(a) Tk. 27,000 (b) Tk. 3,000 (c) Tk. 30,000 (d) Tk. 5,000
- "Income from other sources" is applicable under which of the following section of the ITA, 2023?
(a) 17 (b) 19 (c) 66 (d) 67

TRUE (T) OR FALSE (F) IDENTIFICATION

- Dividend income will be included under income from other sources.
- Incomes not classifiable in other heads, fall under 'income from other sources'.
- TDS on royalty income will be the final payment of tax
- 10% tax is deducted from income from Lottery, winning prizes etc.
- Clubbing of spouse income is allowed when the spouse doesn't submit tax return.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ11.1 What do you mean by the term "Income from Other Sources"?
- DQ11.2 Which incomes are considered under the head "Income from Other Sources"?
- DQ11.3 Explain the exemptions regarding "Income from Other Sources".
- DQ11.4 Explain the provisions regarding chargeability of tax on royalty and dividend income.
- DQ11.5 Explain the provisions of unexplained investment that deemed to be income as per section 67.
- DQ11.6 What are the allowable deductions from "Income from Other Sources"?
- DQ11.7 Write short note on: ☐ Income from Other sources ☐ Clubbing of income ☐ Foreign income ☐ Unexplained investment
- DQ11.8 What is clubbing of income? When do taxable income includes income of other persons?

DQ11.9 'An assessee is taxed on his own income. However, deviating from the general provision, the assessee may also be assessed for incomes of some other persons' - do you agree? Explain.

PROBLEM CASES (PC)

PC11.1: Mr. Zahir has earned the given incomes for the income year. Compute taxable income of Mr. Zahir considering remuneration for exam script evaluation and invigilation Tk. 1,000; prize of winning crossword prize Tk. 16,000; sale of forest timber and honey Tk. 1,000; income from transfer of household furniture Tk. 1,500; income from participating in a singing competition Tk. 3,000; remuneration as director Tk. 10,000; gift from father Tk. 5,000 and income from part time job Tk. 9,000. During the year he has purchased jewellery of Tk. 25,000 the source of which has not been explained to the DCT.

PC11.2: Compute taxable income of Mr. Sohel for the income year considering: income from royalty of a book Tk. 2,000; income received from sublet of premises Tk. 10,000; prize of winning lottery Tk. 1,600; income from vacant land adjacent to his house Tk. 2,000; income from transfer of patent Tk. 2,500; receipt of donation from friend Tk. 4,000; gain from loan amortization Tk. 10,000; income from a newspaper for column writing Tk. 5,000 and income from unused leased land Tk. 2,000. During the year he spent Tk. 100,000 on a party in Hotel Sheraton, the source of the expenditure remained unexplained to the DCT. He has also purchased a land of Tk. 500,000 for which the source of the money was unexplained.

PC11.3: Mr. Tauhid has earned incomes for the income year from salary Tk. 300,000; prize of lottery Tk. 32,000; interest on fixed deposit Tk. 3,800; interest on postal savings account Tk. 1,600; income from writing book Tk. 8,000; income from examining scripts and invigilation Tk. 4,200; income from word competition Tk. 4,800; and prize of prize bond Tk. 24,000. He also earned income from a private university as a part-time lecturer Tk. 22,000; income from remuneration of director Tk. 14,000; income from transfer of a wooden craft made by him Tk. 15,000; income from a newspaper for column writing Tk. 2,000; income from sale of forest timber Tk. 32,000; income from unused leased land Tk. 17,000; income from transfer of household machineries Tk. 9,000; gain from loan amortization Tk. 11,000; income from Boats and mooring Tk. 10,000; and income from royalty and patent Tk. 26,000. During the year he spent Tk. 1,000,000 to purchase a flat in Mirpur and the source of expenditure remained unexplained to the DCT. Through investigation, the DCT has also identified an FDR of Tk. 300,000 in a local bank which has also not been explained. He has also visited India incurring a total cost of Tk. 100,000 and purchased a Jewellery set of Tk. 50,000 for his wife for which the source of the money was also unexplained.

His other expenditures during the year were: Purchase of dress and cloths Tk. 10,000; Donation to Muktijuddho Jadugar Tk. 30,000; Contribution to a deposit pension

scheme Tk. 70,000; Purchase of primary shares of a listed company Tk. 10,000 and Contribution to Government Zakat Fund Tk. 50,000. Compute taxable income and tax liability of Mr. Tauhid for the year.

PC11.4: Determine the income of the spouse or minor child for Mr. X.

- ☐ Mr. X has purchased shares of Tk. 100,000 of Private Limited Companies in the name of his wife from which his wife has received Tk. 25,000 as dividend
- ☐ Mr. X has gifted Prizebond of Tk. 30,000 to his 10 years old son. His son has received Tk. 50,000 as reward from winning the lottery.
- ☐ Mr. X has deposited Tk. 60,000 as fixed deposit in the name of his married daughter from which his daughter has received Tk. 6,000 as interest income.
- ☐ Mr. X has received Tk. 9,000 as interest from savings account of his minor child
- ☐ Mr. X has purchased shares of Tk. 100,000 of Public Limited Companies in the name of his wife from which his wife has received Tk. 25,000 as dividend. His wife has deposited this dividend in a fixed deposit account in her own name and received Tk. 1,500 as interest income.
- ☐ Mr. X has given his second wife a house to live separately. Income from this house property during the year Tk. 20,000.
- ☐ Mr. X has opened a Savings Scheme of Tk. 200,000 in the name of one of his relatives in order to maintain educational expenses of his son who stays in his relative's house in Khulna. Tk. 1,800 is received as interest from this savings. Mr. X will take back the Savings scheme at the end of the graduation of his son.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
a	b	d	b	d	d	d	d	c	c

TRUE/FALSE

1	2	3	4	5
F	T	F	F	T

SELF - REVIEW 11.1

(a) $(\text{Tk. } 10,00,000 \times 10\%) = \text{Tk. } 100,000$

(b) $(\text{Tk. } 30,00,000 \times 12\%) = \text{Tk. } 360,000$

SELF - REVIEW 11.2

There are three additional heads of income as per the IT Return Rules, 2023. They are 'Share of income from firm or AOP', 'Income of the spouse or minor child' and 'foreign income'.

SELF - REVIEW 11.3

Foreign income is taxable for residents and will be included in total income. But for a nonresident foreign income will not be included in total income.

12

Deduction of Taxes

"Philosophy teaches a man that he can't take it with him;
taxes teach him he can't leave it behind either."
— Mignon McLaughlin

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

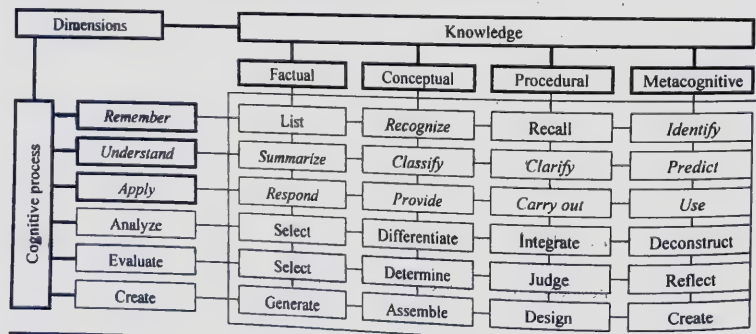
- CLO 12.1 understand the concept of TDS and its benefits
- CLO 12.2 identify income subject to TDS
- CLO 12.3 apply TDS on different sources of income
- CLO 12.4 specify the authority responsible to charge TDS
- CLO 12.5 explain the consequence of failure to deduct TDS
- CLO 12.6 elaborate the TDS collection and deposit process
- CLO 12.7 recognize the income subject to minimum tax

KEY TERMS

Tax deducted at source,
TDS authority, TDS rates,
Contractors, C & F agent,
Savings instrument, L/C,
Certificate of deduction,
Minimum tax

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



12.1

CLO
12.1

INTRODUCTION

In some specific areas, the paying authority is required to deduct tax at source before the income reaches to the hand of assessee. In such a case, the assessee receives after tax income (disposable income) in one sense though it is not the final settlement and the tax deducting or paying authority is working as an agent of the government. Tax deducted at source (TDS) is sometimes termed as "withholding tax" as it remains withholding in the hand of the tax deducting authority until the amount so collected is not deposited to the government exchequer. But it is advance payment of tax from the assessee's point of view who will deduct this amount from his total tax liability at year-end. TDS is advantageous for both the government and the assessee. Sections 86 to 139 of Part VII of the ITA and TDS Rules, 2023 deal with TDS.

12.2

CLO
12.1

ADVANTAGES

To the Government

- ☐ Government can ensure the certainty of its income.
- ☐ Administrative complexity has been shifted to the tax deducting authority.
- ☐ Flow of income throughout the year.

To the Assessee

- ☐ Reduce the burden of paying a huge amount of money as tax at year-end.
- ☐ Assessee is not required to save to pay tax. So, the western concept of PAYE (Pay As You Earn) is fully applied here which is thought to be the justification of this TDS. Because, it is the culture of the people of developed countries to spend the total earnings of a week at weekend. So, at the end of the year, they will have nothing left for the government. So, assessee prefer the government to receive taxes before earnings come to their hand.

12.3

CLO
12.2

INCOME SUBJECT TO DEDUCTION AT SOURCE

Part 7 of the ITA, 2023 enumerated the provisions regarding the payments/deductions of taxes under following three categories:

- Chapter 1 - Deduction of Taxes from Residents [Section 86 - 118]
- Chapter 2 - Deduction of Taxes from Non-Residents [Section 119]
- Chapter 3 - Deduction of Taxes at Source [Section 120 - 139]
- Chapter 4 - General Rules regarding Deduction of Taxes [Section 140 - 151]

Additional corresponding rules have been specified in Tax Deduction at Sources Rules, 2023 [SRO 206-Law/IT-01/2023 later revised by SRO 283-Law/IT-14/2023]

12.4

CLO
12.3
12.4

DEDUCTION OF TAXES FROM RESIDENTS

Deduction of Taxes from Salaries (Section 86)

Tax is deducted at source from salaries by the paying authorities (employer) at the time of making payment of salaries at an average of the rates applicable to the

estimated total income of the payee under that head for that assessment year. The average rate in this case will be the expected one, not actual [section 86(1)].

Where any Government official is acting as Drawing and Disbursing Officer (DDO) or making or signing a bill for himself or for any other official subordinate to him to draw salary from the Government or any authority, as the case may be, he shall, at the time of making or signing such bill, deduct tax at a rate representing the average of the rates applicable to the estimated total income of such officials if such annual salary chargeable to tax exceeds the taxable limit for that income year [Section 86(3)].

For the purposes of sub-section (1) and (3), any prior deficit or excess amount can be adjusted at the time of payment [section 86(4)].

Example: Let us assume that the annual taxable salary income (after allowing for all exemptions as available in case of various components of salary income) of Mr. X results taka 11,50,000. Total tax liability of Mr. X at regular rate will be:

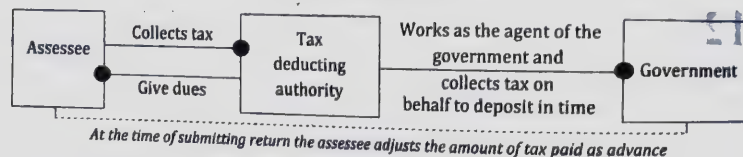
On first	Tk. 350,000	@ 0%	Tk. Nil
On next	100,000	@ 5%	5,000
On next	400,000	@ 10%	40,000
On next	300,000	@ 15%	45,000
Total	11,50,000		90,000

Note: Average rate is 7.83% in case of Mr. X (Tk. 90,000 ÷ Tk. 11,50,000). Average rate can be lower if the employee has any qualifying investment for tax rebate.

EXHIBIT

12.1

How TDS Works?



Computing TDS

- First, for the specific employee or classes of employees, we have to compute the expected annual taxable income under the source "Salaries" assuming that there is no income from other heads.
- Second, we have to apply the regular rates on the taxable income as calculated earlier and compute the gross tax liability.
- Third, average rate will be calculated by dividing the gross tax liability with total taxable salary income. Tax will be deducted at source from the salary income of the said employee or classes of employees at the calculated average rate at the end of every month when salary becomes due and paid.

SELF - REVIEW

12.1

Explain in short:

- What is TDS?
- Who will deduct tax from whom?
- Advantages of TDS.

But the paying authorities may deduct no TDS or TDS at a lesser rate in accordance with a certificate, issued by the DCT after being satisfied on payee's application, where the certificate specifies that-

- no TDS will be charged in a case where the tax payable on the total income of the payee has already been deducted or collected from such payee under ITA, 2023 for the rest of the income year.
- TDS will be charged at a lower rate for the rest of the income year in a case where the payee may, after adjusting the tax already deducted or collected from such payee under ITA, 2023, be liable to pay a lesser sum of tax than the tax chargeable on his total income [section 86(5)].

TDS from Remuneration to MPs [Section 87]

Any person responsible for paying remuneration to a Member of Parliament shall deduct tax, at the time of making such payment, at average rate applicable to the estimated total remuneration of the payee for that income year.

TDS from Payment to Participation Fund, Welfare Fund and Labor Welfare Foundation Fund [Sec 88]

Notwithstanding anything contained in any other law being in force in Bangladesh, any person responsible for making any payment to Participation Fund, Welfare Fund and Sramik Kalyan Foundation Fund under Section 234 of the labor Act, 2006, at the time of such payment or credit, deduct tax @ 10% on whole payment.

TDS from Payment to Contractors, etc. [Section 89 & Rule 3]

According to section 89, where any payment is to be made by a specified person to a resident on account of the followings, the person responsible for making the payment shall, at the time of making such payment or crediting such amount, deduct tax at such rate, not exceeding ten percent (10%) of the base amount, as may be prescribed.

- execution of a contract, other than a contract for providing or rendering a service mentioned in any other section of Part VII;
- supply of goods;
- manufacture, process or conversion;
- printing, packaging or binding;

According to Rule 3, following rates are applicable for payment to contractors, etc.:

- 10% TDS rate for supplying any kinds of tobacco related goods including cigarettes, biri, chewing tobacco, tobacco leaves, gul etc.

- ☐ TDS in case of providing service under the agreement for manufacturing, process conversion, civil works, construction, engineering or similar works.
- ☐ The rate of deduction from the following classes of persons shall be:

an industrial undertaking engaged in the production of MS Billets	0.5%
oil supplied by petroleum oil and lubricant marketing companies	0.6%
oil supplied by dealer or agent (excluding petrol pump station) of oil marketing companies, any amount	1%
supply of paddy, rice, wheat, potato, fish, meat, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chillies, pulses, corn, coarse flour, flour, salt, edible oil, sugar, black pepper, cinnamon, cardamom, clove, date, cassia leaf, jute, cotton, and yarn	1%
Supply of any kind of fruit	2%
an industrial undertaking producing iron ore or iron products, ferro alloy products, ceramic goods, and cement, except MS Billets	2%
supply of oil by oil refinery company, on any amount	2%
company engaged in gas distribution, any amount	2%
company engaged in gas transmission, on any amount	3%
Company, having own Vertical Continuous Vulcanization Line, producing 33 kv to 500 kv Extra High Voltage Power Cable	3%
supply of books to a person other than Government or any Government attached/sub offices, or any authority, or corporation	3%
Supply of recycled led	3%
Supply of industrial raw materials to a manufacturer	3%
supply of any goods not listed in above classes	5%
any other cases mentioned in Section 89	5%

Provided that, where any imported goods on which tax has been paid at source under section 120 is supplied, tax at source on the said supply shall be B-A, where- A = the amount of tax paid under section 120, B = the relevant tax amount of this section if no tax were paid under sec 89.

Similarly, where any goods on which tax has been paid at source under section 94 is supplied, tax at source on the said supply shall be B - A, where - A = the amount of tax paid under section 94, B = the relevant tax amount of section 89 if no tax were paid under sec 94. Provided that in case of the goods supplied by any distributor or any other person under a contract, the term "B" as mentioned in the above paragraph shall be computed as: B = {the selling price of the company to the distributor or the other person as referred in Section 94} \times 5% \times 10%.

EXHIBIT

12.2

Cases of TDS: Contractor, Supplier, Distributor

Case 1: Suppose, payments are made to a contractor as: 1st installment on July 1, 2023 Tk. 1 lac; 2nd installment on October 1, 2023 Tk. 3 lac; 3rd installment on January 1, 2024 Tk. 4 lac; 4th installment on April 1, 2024 Tk. 10 lac, and 5th installment on July 1, 2025 Tk. 3 lac. Deductions from each installment will be made as:

Installment	Payments	Cumulative Payments	Applicable Rates	Total Deduction	Current Deductions
(1)	(2)	(3)	(4)	(5) = 3 \times 4	(6) = For 3rd install. (350,000 - 90,000)
First	10,00,000	10,00,000	3%	30,000	30,000
Second	20,00,000	30,00,000	3%	90,000	60,000
Third	40,00,000	70,00,000	5%	350,000	260,000
Fourth	20,00,000	90,00,000	5%	450,000	100,000
Total deduction for the year 2023-24 [90,00,000 \times 5%]					450,000
Fifth	3,00,000	3,00,000	3%	9,000	9,000

Case 2: Mr. Tareq is a local distributor of ACI Ltd. The sales amount during the period to Mr Tareq from ACI amounted to Tk. 50,00,000. According to Section 94, ACI Ltd. has collected (Tk. 50,00,000 \times 5% \times 5%) = Tk. 12,500 as TDS. However, what amount of TDS (u/s 89) will be collected by XYZ Private Limited from Mr. Tareq -

- If Mr. Tareq supplies these entire goods to XYZ Private Limited during the income year 2023-2024
- Of these Tk. 50,00,000 goods, if Mr. Tareq supplies goods of Tk. 30,00,000 to XYZ Private Limited.

Supplied entire goods: [(Tk. 50 lac \times 5% \times 10%) - (Tk. 50 lac \times 5% \times 5%)] = Tk. 25,000 - Tk. 12,500 = Tk. 12,500
 Supplied goods of 30 lac: [(Tk. 30 lac \times 5% \times 10%) - (Tk. 30 lac \times 5% \times 5%)] = Tk. 15,000 - Tk. 7,500 = Tk. 7,500

Deduction from Payment for Certain Services [Section 90 & Rule 4]

Where any payment is to be made by a specified person to a resident on account of a service as mentioned in this section, the person responsible for making the payment shall, at the time of making such payment, deduct tax at such rate, not exceeding **twenty percent (20%)**, as may be prescribed. According to Rule 4, for some specific services tax will be deducted at the following rate:

Advisory or consultancy service	10%
Professional service, technical services fee/assistance fee	10%
Catering service, Cleaning service, Collection and recovery service, Private security service, Supply of manpower, Creative media service, Public relations service, Event management service, Training, workshop, etc. organization and management service, Courier service, Packing and shifting service, any other service of similar nature-	10%
On commission	2%
On gross bill amount	2%

Media Buying agency service	10%
□ On commission	0.65%
□ On gross bill amount	8%
Indenting commission	10%
Meeting fees, training fees or honorarium	12%
Mobile network operator, technical support service provider	10%
Credit rating service	8%
Motor garage or workshop	8%
Private container port or dockyard service	8%
Shipping agency commission	
Stevedoring / berth operation-	10%
□ On commission or fee	5%
□ On gross bill amount	
(i) Transport service, carrying service, vehicle rental service, repair and maintenance service	5%
(ii) Any other service under any sharing economy platform including ride sharing service, coworking space/accommodation providing service	5%
Wheeling charge for electricity transmission	3%
Internet service	10%
Service delivery agents engaged in mobile financial services or channel partners of mobile financial services	10%
Freight Forward Agency Commission	10%
Gross bill including or excluding Freight Forward Agency Commission	2.5%
Any other service which is not mentioned above	10%

Provided that if any bank, insurance, financial institution or mobile financial service provider provide any service other than mentioned in above table, TDS will not be applied under this section, in such cases.

The amount for services mentioned in Row 3, 4 and 12 of the Table shows both commission or fee and gross bill, tax shall be the higher of the following two amounts A and B, when A = tax calculated on commission or fee applying the relevant rate in the table; and B = $E \times F \times G$, where, E = Gross bill amount, F = 10% of Sl. 3, 2.5% for Sl. 4, and 5% for Sl. 12; and G = rate of tax applicable on commission or fee.

Where the Board, on an application made in this behalf, gives a certificate in writing that the person rendering such service is otherwise exempted from tax under any provision of this Act, the payment referred to in this section shall be made without any deduction or with deduction at a lesser rate, as the case may be, for that income year."

Example: X Company has signed an agreement with Square Hospital Ltd. to provide them with cleaning services. The company has submitted the following bill for the cleaning service:
 For cleaning service expense Tk. 800,000
 Commission @ 10% Tk. 80,000
 Total Bill Tk. 880,000

The amount of applicable TDS and amount paid to X Company is as follows:
 Applicable TDS on gross amount = Tk. 800,000 @ 2% = Tk. 16,000
 Applicable TDS on commission = Tk. 80,000 @ 10% = Tk. 8,000
 Total Applicable TDS = Tk. 16,000 + Tk. 8,000 = Tk. 24,000
 Amount paid after deduction of TDS = Tk. 856,000 [Tk. 880,000 - Tk. 24,000]

Deduction from Payment of Royalties etc. [Section 91]

Where any payment is to be made by a specified person to a resident on account of royalties, franchise, or the fee for using license, trade mark, patent, copyright, pattern, plant varieties, global positioning product, or any other intellectual property right or intangibles, the person responsible for making the payment shall, at the time of making payment, deduct income tax at the rate specified below -

	Deduction Rate
Where base amount does not exceed Tk. 25 lakh	10%
Where base amount exceeds Tk. 25 lakh	12%

Example: X Company has signed an agreement with Mr. Kabir to use a design invented by him at an agreed value of Tk. 30 lakh and decided to pay him Tk. 10 lakh instantly as first installment. The amount of applicable TDS and amount paid to Mr. Kabir follows:

For the first installment: Base amount = Tk. 30,00,000
 Applicable TDS as per base amount = 12% and Amount of 1st installment = Tk. 10,00,000
 Applicable TDS (Tk. 10,00,000 @ 12%) = Tk. 1,20,000
 Amount paid after deduction of TDS [Tk. 10,00,000 - Tk. 1,20,000] = Tk. 880,000

Advertising Bill of Newspaper or Magazine or Private Television Channel or Private Radio Station etc. [Section 92]

According to section 92, tax shall be deducted at the rate of 5% for making any payment to newspaper or magazine or private television channel or private radio station or any person (except media buying agent) on account of advertisement or purchasing airtime or any other purposes by the paying authority [(specific person u/s 140(3)).

Actors or Actresses or Producers [Section 93]

A person responsible for making any part or full payment for purchasing a film, drama or television or radio programme or for making any part or full payment to

another person for performing in those areas shall deduct tax @10% of the amount paid or payable at the time of making payment or credit of such payment to the account of the payee.

Commission, Discount or Fees [Section 94]

- Any company making a payment or allowing an amount to a distributor, called by whatever name, or to any other person by way of commission, discount, fees, incentive or performance bonus or any other performance related incentive or any other payment or benefit of the similar nature for distribution or marketing of goods, shall deduct or collect tax at the time of payment or allowing the amount at the rate of **ten percent (10%)** of the amount of payment or the amount allowed or the value of benefits allowed, as the case may be.
- Any company making a payment for promotion of the company or its goods to any person engaged in the distribution or marketing of the goods of the company shall, at the time of payment, deduct tax at the rate of **one point five percent (1.5%)** of the payment.
- Any company, other than an oil marketing company, which sells goods to-
 - Any distributor, or
 - Any other person under a contract at a price lower than the retail price fixed by such company, shall collect tax from such distributor or such any other person at the rate of 5% on the amount equal to $B \times C$, where B = the selling price of the company to the distributor or the other person; $C = 5\%$.

Provided that a cigarette manufacturer company shall collect tax at the time of sale of its goods to such distributor or to such other person at the rate of three percent (3%) of the difference between the sale price to the distributor or the other person and the retail price fixed by such company.

Collection of Tax from Travel Agent [Section 95]

Notwithstanding anything contained in any other provisions of this Act, any person responsible for making any payment to a resident any sum by way of commission or discount or any other benefits, called by whatever name, convertible into money for selling passenger tickets or air cargo carriage shall deduct or collect advance tax at the rate of **zero point three zero percent (0.30%)** of the total value of the tickets or any charge for carrying cargo by air at the time of payment to such resident [section 95(1)].

Where any incentive bonus, performance bonus or any other benefits, called by whatever name, is to be paid in relation to such sale of tickets or bill for carrying cargo by air in addition to the amount mentioned in sub-section (1), person responsible for making such payment shall deduct an amount equal to $(A + B) \times C$, where

- "A" is the amount of incentive bonus, performance bonus or any other benefits as mentioned in here,

- "B" is the amount of commission or discount or any other benefits as mentioned in sub-section (1), and
- "C" is the amount of source tax on commission or discount or any other benefits as mentioned in subsection (1) [section 95(2)].

For the purpose of computation of value of tickets or charge, any payment made in respect of any embarkation fees, travel tax, flight safety insurance, security tax and airport tax shall not be included in such value or charge. [section 95(3)].

Explanation: Here, "payment" includes a transfer, a credit or an adjustment of payment.

Example: A Travel Agent has sold tickets of Tk. 80,00,000 and received 5% commission and 2% incentive bonus. TDS applicable on such amount is -

TDS on commission (Tk. 80,00,000 @ 0.3%) = Tk. 24,000

TDS on incentive bonus = $\frac{80,00,000 \times 2\%}{80,00,000 \times 5\%} \times \text{Tk. 24,000} = \text{Tk. 9,600}$

Commission on Letter of Credit [Section 96]

Any person (basically bank) responsible for opening letter of credit for the purpose of import of goods for himself or for any other person shall, at the time of collecting commission with respect to letter of credit, deduct income tax at the rate of **5%** on the amount of such commission.

Deduction from Payment made against Local Letter of Credit [Section 97]

The bank or any other finance company extending any credit facility under a local letter of credit or any other financing agreement, not being a financing arrangement under sub-section (2), for purchasing any goods in Bangladesh by a person (hereinafter referred to as "Person A") from any person (hereinafter referred to as "Person B") for the purpose of trading, or of reselling after process or conversion shall deduct, at the time of paying or crediting to Person B, tax at the rate of **3%** of the amount so paid or credited in relation to the purchase by Person A. [U/s 97(1)]

The bank or any other finance company extending any credit facility to a distributor under a financing arrangement in which a person (hereinafter referred to as "Person C") receives payments from such bank or the finance company against the invoice or sale of goods to its distributor (hereinafter referred to as "Person D") shall deduct, at the time of paying or crediting payment to Person C, tax at the rate of **1%** of the amount so paid or credited in relation to the goods invoiced to Person D [U/s 97(2)].

The bank or finance company engaged in opening or making local letter of credit or any other financing agreement or any other financing agreement for the purchase of all kinds of fruits and computers or computer spare parts, shall deduct tax @ **2%** on the amount paid or loaned by the bank or finance company [U/s - 97(3)]

The bank or finance company engaged in opening or making local letter of credit or any other financing agreement or any other financing agreement for the purchase of rice, wheat, potato, onion, garlic, peas, chickpeas, lentils, ginger, turmeric, dried chili, pulses, maize, coarse flour, flour, salt, edible oil, sugar, black pepper, cinnamon, nut, clove, bay leaves, tur, cotton, and yarn, shall deduct tax @ 1% on the amount paid or loaned by the bank or finance company. [U/s - 97(4)]

EXHIBIT**12.3****Illustrating TDS for Letter of Credit**

Explanation: For the purpose of this section, "distributor" means a person who performs the function of supply of finished goods produced by another person to the end customer directly or through any other intermediary.

Case 1: A Ltd. has issued a local L/C of Tk. 2 crore in favor of X Ltd. for supplying machineries. The machineries are to be used by A Ltd. in its factory. Under such circumstances Section 97 will not be applicable as the machineries are not purchased for resale even though it has been purchased through local L/C. In this case Section 89 and Rule 3 will be applicable.

Case 2: A Ltd. has issued a 90 days local L/C of Tk. 1 crore in favor of X Ltd. (Issued by Sonali Bank) for supplying electronic goods as per contract. The electronic goods are to be sold by A Ltd. through its different showrooms. Under such circumstances the L/C issuing bank i.e., Sonali Bank will deduct 3% TDS under sec 97 at the time of paying or crediting the proceeds to X Ltd. The L/C negotiating Bank will not deduct any other TDS.

Case 3: A Ltd. has issued a 120 days local L/C of Tk. 10 crore in favor of X Ltd. (Issued by Prime Bank) on July 25, 2024 for supplying electronic goods as per contract. The electronic goods are to be sold by A Ltd. through its different showrooms. X Ltd. has sold the L/C to his bank Jamuna Bank Limited on August 01, 2024 under Inland Documentary Bill Purchase (IDBP) / Local Documentary Bill Purchase (LDBP) term. Under such circumstances the L/C negotiating bank i.e., Jamuna Bank will set the bill purchase price considering 3% TDS. At the end of the maturity the L/C issuing bank i.e., Sonali Bank will deduct 3% TDS (u/s 97) at the time of paying or crediting the proceeds to Jamuna Bank and will issue a Tax Deduction at Source Certificate to A Ltd.

Cellular Mobile Phone Operator [Section 98]

The Principal Officer of a cellular mobile phone operator company responsible for making any payment, on account of any revenue sharing or any license fees or any other fees or charges, called by whatever name, to the regulatory authority, shall deduct tax at the rate of twenty percent (20%) of such payment at the time of credit to the payee or at the time of payment thereof, whichever is earlier.

Payment in Excess of Premium Paid on Life Insurance Policy [Section 99]

Any person responsible for paying to a resident, any sum in excess of premium paid for any life insurance policy maintained with any life insurance company, shall deduct, at the time of payment of such excess amount to the policy holder, income tax at the rate of 5% on such sum: Provided that no deduction of tax shall be made in case of death of such policy holder.

EXHIBIT**12.4****Illustrating TDS for Life Insurance Policy**

Case 1: Mr. Nikhil has taken an 18-year 3PP Life Insurance Policy from Metlife on 15.09.2006. The policy value and annual premium is Tk. 100,000 and Tk. 7,500 respectively. Mr. Nikhil has received 25% of policy value Tk. 25,000 after 6 years, 25% of policy value Tk. 25,000 after 12 years and 50% of policy value plus bonus Tk. 125,000 after 18 years. The TDS will be calculated as:

Profit from insurance policy = Total receipt against policy - Total premium paid
 $= (25,000 + 25,000 + 125,000) - (7,500 \times 18) = 175,000 - 135,000 = \text{Tk. } 40,000$
 So, the TDS will be 5% on Tk. 40,000 i.e., Tk. 2,000.

Case 2: Mr. Zakaria has taken a 16-year Education Insurance Policy for his son from Metlife on 15.09.2009. The policy value is Tk. 100,000 & annual premium is Tk. 7,600. He has received total Tk. 230,000 after 16 years at maturity on September 2024. The TDS will be calculated as:

Profit from insurance policy = Total receipt against policy - Total premium paid
 $= \text{Tk. } 230,000 - (7,600 \times 16) = 230,000 - 121,600 = \text{Tk. } 108,400$
 So, the TDS will be 5% on Tk. 108,400 i.e., Tk. 5,420.

Case 3: Mr. Farid has taken an 18-year 3PP Life Insurance Policy from Metlife on July 15, 2018. The policy value and annual premium is Tk. 100,000 and Tk. 9,000 respectively. Mr. Farid has received 25% of policy value Tk. 25,000 after 6 years on July 2024. No TDS will be applicable on this amount as it is not profit rather a refund of a part of the policy value.

Case 4: On 01.08.2024, Mrs. X, has received Tk. 15 lac from Metlife against the life insurance policy of her husband, who died in an accident. The policy was taken on 01.01.2014 and the annual premium was Tk. 50,000. No TDS will be applicable on this compensation amount as it is the claim against the death of the policy holder.

Insurance Commission [Section 100]

Any person responsible for paying to a resident any sum by way of commission or otherwise, for soliciting or procuring insurance business including business relating to the continuance, renewal or revival of policies of insurance, shall, at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a check/draft or any other mode, whichever is earlier, deduct income tax on such sum @ 5%.

Example: If the payment amounts to, say, taka 60,000 then the amount of TDS will be taka 3,000 (5% of taka 60,000).

Fees, etc. of Surveyors of General Insurance Company [Section 101]

A person (generally insurance companies) responsible for paying to a resident any sum as remuneration or fees for conducting any survey regarding settlement of claim of insurance shall, at the time of payment, deduct income-tax on such sum @ 15%.

TDS from interest on saving deposits and fixed deposits, etc. [Section 102]

Notwithstanding anything contained in the ITA, 2023 or any other law for the time being in force, any person responsible for paying to a resident any sum by way of interest or share of profit on any saving deposits or fixed deposits or any term deposit maintained with any person engaged in banking, insurance, leasing, financing, post office banking, co-operative or mobile financial services, shall deduct, at the time of credit of such interest or share of profit to the account of the payee or at the time of payment thereof, whichever is earlier, income tax on such sum at the following rate:

- Where the payee is a Trust, AOP, and company
- Where the payee is a Primary Educational Institution, professional institutes of CA, CMA or Chartered Secretaries
- Any other payee, other than mentioned in above two categories

Rate
20%*
10%**
10%**

*The rate of TDS will be 50% higher i.e. 30% if the payee fails to provide the PSR (Proof of the Submission of the Return).

** The rate of TDS will be 50% higher i.e. 15% if the payee fails to provide the PSR (Proof of the Submission of the Return).

Nothing contained in this section shall apply-

- to interest or share of profit arising out of any deposit pension scheme sponsored by the Government or by a Bank with prior approval of the Government; or
- to such payee or class of payees as the Board may, by a general or special order, specify, that income of such payee/class of payee is otherwise exempted from tax.

For the purpose of this section, the proof of submission of return of legal guardian shall be considered as the proof of submission of return of a minor. TDS on interest income on savings deposits/fixed deposits etc. earned by taxpayers on whom return submission is not mandatory [(u/s 166(2))] will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].

Deduction at source from interest income of Residents [Section 104]

Any person responsible (except bank or financial institution) for paying any amount on account of interest of loan shall deduct, at the time of paying such amount at the rate of 10% (ten percent). Provided that the Board, in response to appropriate investigation of application, may provide with certificate if no TDS or lesser rate will be applicable on such income.

Deduction at source from interest on saving instruments [Section 105]

Notwithstanding anything contained in any other provision of this Act or any other law being in force in respect of exemption from tax on interest of savings instrument purchased by an approved superannuation fund or pension fund or gratuity fund or a

recognized provident fund or a workers' profit participation fund, any person responsible for making any payment by way of interest on any savings instruments shall, at the time of such payment, deduct income tax at the rate of [ten per cent (10%)] on such interest;

Provided that no tax shall be deducted under this section where the cumulative investment at the end of the income year in the pensioners' savings certificate does not exceed five lakh taka; Provided further that no tax shall be deducted from interest or profit arising from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond. TDS deducted on this interest income of savings certificates owned by any individual taxpayer will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].

EXHIBIT**12.5****Illustrating TDS for Savings Instruments**

Case 1: Mr. Jalil is a Non-Resident Bangladeshi (NRB) living in Canada. He has purchased Wage Earners Development Bond (WEDB) of Tk. 50 lac on July 01, 2023. He earned interest of Tk. 6 lac from the said WEDB during the income year 2023-24. Moreover, he has also earned net Tk. 4 lac from employment. Under such circumstances, no TDS will be applicable on interest income from WEDB in the assessment year 2024-25. In the assessment year 2024-25, Mr. Jalil will pay tax on only employment income Tk. 4 lac @ regular rate.

Case 2: Mr. Khalil is a retired government officer. He has retired on April 2023 and purchased Pensioner Savings Certificate of Tk. 30 lac on July 01, 2023. He earned interest of Tk. 3,95,700 from the said Savings Certificate during the income year 2023-24. Moreover, he has also earned Tk. 12 lac from consultancy. Under such circumstances, 10% TDS i.e., Tk. 39,570 will be applicable on interest income from Savings Certificate in the assessment year 2024-25. It will also be considered as final payment of tax.

Case 3: Mr. Sumon is a Non-Resident Bangladeshi (NRB) living in Canada. He has purchased 5-year Wage Earners Development Bond (WEDB) of Tk. 3 lac on July 01, 2021 and again purchased 5-year Wage Earners Development Bond (WEDB) of Tk. 10 lac on July 01, 2023. Under such cases, no TDS will be applicable on interest from the WEDB during the income year 2023-24.

Case 4: Mr. Babu is a government officer. He has retired on April 2022 and purchased 5-year Pensioner Savings Certificate of Tk. 4 lac on July 01, 2022 and again purchased 5-year Pensioner Savings Certificate of Tk. 15 lac on July 01, 2023. Under such cases, during the income year 2023-24, since the accumulated investment in Pensioner Savings Certificate has reached to Tk. 19 lac (i.e., exceeds Tk. 5 lac limit), 10% TDS will be applicable on whole interest income from the Pensioner Savings Certificate of Tk. 19 lac in the assessment year 2024-25.

Discount of the Real Value of Bangladesh Bank bill (Section 107)

Any person responsible for paying any amount on account of discount on the real value of Bangladesh Bank bills shall, at the time of making such payment, deduct tax at the maximum rate on the amount so payable or the rate applicable to such amount, whichever is greater. If no such applicable rate is available, then the rate will be:

	Maximum Rate
Individual	25%
Companies	
Publicly Traded	22.5%
others	32.5%
Companies not publicly traded	37.5% or 40%
Bank, Insurance, Financial Institutions	37.50%
Merchant Banks	45%
Mobile phone companies (if publicly traded 40%)	45%
Cigarette mfg. companies	45%

Note No tax shall be deducted under this section where the said bill is purchased by an approved superannuation fund or pension fund or gratuity fund or a recognized provident fund, or a workers' profit participation fund

Interest on Securities [Section 106]

Any person responsible for issuing a security of the Government, or security approved by the Government or Bangladesh Securities and Exchange Commission, shall collect income-tax at the rate of **five percent (5%)** on discount, interest, or profit on securities at the time of making payment or credit, whichever is earlier.

TDS from Receipts in Respect of International Phone Call [Section 108]

The bank, through which any sum on account of International Gateway (IGW) Services in respect of international phone call is received, shall deduct tax @ **1.5%** of the total amount representing the said receipt at the time of crediting it to the account of the International Gateway (IGW) Services operator.

The International Gateway (IGW) Services operator, by which any sum related to international phone call is paid or credited to the account of Interconnection Exchange (ICX), Access Network Services (ANS), Bangladesh Telecommunication Regulatory Commission (BTRC) or any other person under an agreement with the Bangladesh Telecommunication Regulatory Commission (BTRC), shall deduct tax @ **7.5%** on the whole amount so paid or credited at the time of such payment or credit under the said agreement.

Where any amount is paid or credited in respect of outgoing international calls, the provider of Interconnection Exchange (ICX) services or Access Network Services (ANS) shall deduct tax at the rate of **7.5%** on the whole amount so paid or credited at the time of such payment or credit. Notwithstanding anything contained above [in sub-section (1), (2), or (3)] where the Board gives a certificate in writing on an application made by a person that income of the person is exempted from tax or will be liable to tax at a rate of tax less than the rate specified in this section, the person responsible for giving any payment shall, make the payment-

- without deduction of tax; or
- after deducting tax at a rate specified in the certificate.

Income Tax-25(B)

Income from Rent (Section 109)

According to section 109 of the ITA, 2023 -

- where, any specified person [as listed in Section 140(3)] is a tenant in respect of a house property; hotel or guest house; vacant land or plant or machinery; or any water reservoir except government water reservoir, the tenant shall deduct tax from the rent of such property @ **5%** at the time of payment of such rent.
- where, after the assessment made for the relevant year, it is found that no tax was payable by the owner of the house property or the amount of tax deducted is in excess of the amount payable, the amount deducted shall be refunded, -
 - if no tax was payable, in full, or
 - if the amount deducted is in excess of the amount payable, to the extent of the excess deduction to the owner of the house property.
- Where the DCT, on an application made in this behalf, gives a certificate in the prescribed form to an owner of house property that, to the best of his belief, the owner is not likely to have any assessable income during the year or the income is otherwise exempted from payment of income tax under any provision of this Act, payment referred to in sub-section 1 shall be made without any deduction until the certificate is cancelled.
- For this section - "**rent**" means any payment, paid in whatsoever name, made to use any building including its furniture, fixtures and lands appurtenant thereto, through lease, tenancy, contract or agreement to use such property.

Services from Convention Hall, Conference Centre, etc. [Section 110]

Where any payment is to be made by a specified person (as specified in section 140(3)) to any other person on account of renting or using space of convention hall, conference centre, room or, as the case may be, hall, hotel, community centre or any restaurant, shall deduct tax at the rate of **five percent (5%)** from the whole amount of the payment for the services thereof at the time of making such payment to the payee.

Compensation Against Acquisition of Property [Section 111]

Any person, responsible for paying any amount of compensation against acquisition by the Government of any immovable property shall, at the time of paying such compensation deduct advance tax at the rate of **6%** of the amount of such compensation where the immovable property is situated in any city corporation, paurasava or cantonment board. The rate will be **3%** of the amount of such compensation where the immovable property is situated outside any city corporation, paurasava or cantonment board.

Export Cash Subsidy [Section 112]

Any person responsible for paying any amount on account of export cash subsidy to an exporter for promotion of export shall, at the time of payment or credit of such amount, deduct/collect tax in advance at the rate of **ten percent (10%)** on the amount so payable. **TDS deducted on the this export cash subsidy will be considered as final payment of tax [SRO 253-Law/IT-09/2023 dated August 23, 2023].**

12.5

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12.4

DEDUCTION OF TAXES FROM NON-RESIDENTS

TDS on Income of a Non - Resident (Section 119 & Rule 5)

Subject to the provisions of section 119(2), the specified person or any person responsible for making payment to a non-resident of any amount which constitutes the income of such non-resident chargeable to tax under this Act shall, unless such person is himself liable to pay tax thereon as agent, at the time of making such payment, deduct tax on the amount so payable at the rate, specified below:

5.25%	Exploration or drilling in petroleum operations; Fees, etc. of surveyors of general insurance company; Any service for connectivity between oil or gas field and its export point
7.50%	Air or water transport; Contractor or sub-contractor; Supplier;
10.00%	Insurance premium; Bandwidth payments
15.00%	Advertisement making or Digital marketing; Capital gain; Rental of machinery, equipment etc.; Courier Service
20.00%	Advisory or consultancy service; Pre-shipment inspection service; Professional/technical services, technical know-how/technical assistance; Architecture, interior/landscape design, fashion design or process design; Certification, rating etc.; Charge/rent for satellite, airtime or frequency, rent for channel broadcast; Legal service; Management service including event management; Commission; Royalty, license fee or payments related to intangibles; Interest; Advertisement broadcasting; Dividend - company, fund, and trust; Survey for coal, oil or gas exploration; Any other payments
30.00%	Dividend - any other person, not being a company, fund, and trust; Artist, singer or player; Salary or remuneration

Note:

- Provided that when any capital gain arises from the transfer of any share of a company, the person or the authority, as the case may be, responsible for effecting the transfer of shares shall not give any effect of such transfer if tax on such capital gain has not been paid.
- Where, in respect of any payment under this section, the Board, on an application made in this behalf, is satisfied that due to tax treaty or any other reason the non-resident is not be liable to pay any tax in Bangladesh, or is liable to pay tax at a reduced rate in Bangladesh, the Board may issue a certificate within thirty days from the date of receipt of such application accompanied by all the documents as required by the Board to the effect that the payment referred to in sub-section (1) shall be made without any deduction or, in applicable cases, with a deduction at the reduced rate as mentioned in the certificate.

Collection of Tax on Account of Purchase of Power [Section 114]

Notwithstanding anything contained in ITA, 2023, Bangladesh Power Development Board or any other person engaged in power distribution or any such specified person who purchases electricity from a captive power producer, at the time of payment to any person on account of purchase of power, shall collect, deduct or pay tax at the rate of 6% on the said payment. Where a person is exempted from tax or is subject to a reduced tax rate, the Board may, on an application made in this behalf, give a certificate in writing that the payment for that income year shall be made without any deduction or with deduction at a proportionately reduced rate, as the case may be.

Payment by Real Estate Developer to Landowner [Section 115]

Where any person engaged in real estate or land development business pays any sum to the land owner as signing money, subsistence money, house rent or in any other form called by whatever name for development of the land of such owner in accordance with any power of attorney or any agreement or any written contract, such person shall deduct tax @ 15% on the sum so paid at the time of such payment.

Commission/Remuneration Paid to Agent of Foreign Buyer [Section 116]

Where, as per the terms of the L/C or under any other instruction, a bank, through which an exporter receives payment for export of goods, pays any amount out of the export proceeds to the credit of any person being an agent or a representative of the foreign buyer, as commission, charges or remuneration, the bank shall deduct/collect tax in advance @ 10% on such payment at the time of payment.

Deduction of tax from dividends [Section 117]

The principal officer of a company registered in Bangladesh, or of any other company, shall, at the time of paying any dividend to a shareholder, deduct tax on the amount of such dividend, in the case of a resident or a non-resident Bangladeshi-

- if the shareholder is a company, at the rate applicable to a company;
- if the shareholder is a person other than a company, @ 10% where the person receiving such dividend furnishes his Taxpayer's Identification Number (TIN) to the payer or 15% where the person receiving such dividend fails to furnish his Taxpayer's Identification Number (TIN) to the payer.

Provided that the provision of this section shall not be applicable to any distribution of taxed dividend to a company, if such taxed dividend enjoys tax exemption under the provisions of the paragraph 32 of Part I of the Sixth Schedule.

TDS on Lottery, etc. [Section 118]

The person responsible for paying any amount on account of winnings in lottery, crossword puzzle, card game, online game or any other similar nature of game shall, at the time of making such payment, deduct tax at the rate of 20%. Here, "any amount" means the value of any goods/assets where the payment on account of such winnings is made not in the form of cash but in the form of goods or other assets.

EXHIBIT

12.6

Illustrating TDS from Non-Residents

Case 1: Shubman Gill, an Indian cricketer, came to Bangladesh for 1 month in the month August 2023 for playing in BPL. His remuneration as per contract was Tk. 1 crore. In this case, since he is a non-resident foreigner, the concerned club will deduct 30% TDS i.e. Tk 30 lac from this amount and will pay after tax amount of Tk. 70 lac to him.

Case 2: David Young, an English Consultant, came to Bangladesh for 1 month in the month August 2023 for a consultancy work against Tk. 50 lac fee. In this case, since he is a non-resident foreigner, the concerned payer will deduct 20% TDS i.e. Tk 10 lac from this amount and will pay after tax amount of Tk. 40 lac to him.

Case 3: Dhaka Bridge Authority has rented one high-capacity Crane from an Indian Construction Company for 3 months period starting September 01, 2023. The rental amount was set at Tk. 1 crore. In this case, since the Indian company is a non-resident, Dhaka Bridge Authority will deduct 15% TDS i.e. Tk 15 lac from this amount and will pay after tax amount of Tk. 85 lac to the Indian Company.

12.6 DEDUCTION OF TAXES AT SOURCE

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12.4

Importers [Section 120 & Rule 8]

The Commissioner of Customs or any appropriate officer shall collect advance income tax at such rate, not exceeding 20% on the value of the imported goods in accordance with the list of goods specified in Rule 8. According to rule 8, the Commissioner of Customs or any appropriate officer shall collect tax in the case of any import of goods at the following rate on the value of imported goods:

Items in No.	Rate	Table Ref. (Rule 7)	Import from
In general	5%		
2	1%	1	
43	2%	2	
5	Tk. 500 per ton	3	
192	0%	4	
33	0%	5	
9	3%	6	
10	20%	7	Bhutan

Subject to application to the Board explaining that he is not likely to have any taxable income during the period, the Board may exempt the importer of paying any taxes.

Income Derived from Export of Manpower [Section 121]

The Director General, Bureau of Manpower, Employment and Training shall not-

- ☐ grant clearance for export of manpower by recruiting agencies unless challan of advance tax for Taka amounting to 10% of service charge or fees received by recruiting agents on account of export of manpower attached with the application made in this behalf; and
- ☐ issue or renew license under section 9 of the Act No. 48, 2013 unless a challan of advance tax for Taka 50,000 is submitted along with the application made for license or renew of license.

Commission of Clearing & Forwarding (C&F) Agents [Section 122]

The Commissioner of Customs shall make collection on account of commission receivable by clearing and forwarding agents at the rate of 10% on such commission at the time of clearance of goods imported or exported.

Export Proceeds of Goods [Section 123]

Tax is deducted @ 1% on the total export proceeds by the concerned bank at the time of crediting the proceeds to the account of the exporter. NBR may give a certificate based on the assessee's application not to deduct tax or to deduct tax at a lesser rate if the income of the assessee is partly or fully exempted from tax or is not liable to tax.

Example: Mr. X exported knitwear and woven garments amounting to taka 1,000,000. Here TDS will be taka 10,000 (1% of taka 1,000,000).

Deduction of Tax from Any Income Remitted from Abroad in Connection with Any Service, Revenue Sharing, etc. [Section 124]

Any person, responsible for paying or crediting to the account of a person any sum remitted from abroad by way of a fee, service charges, commission or remuneration, called by whatever name, or by way of revenue sharing of any name and nature, for-

- ☐ providing any service rendered in Bangladesh; or
- ☐ rendering any service or performing any task by a resident person in favor of a foreign person; or
- ☐ allowing the use of any online platform for advertisement or any other purposes

shall deduct tax at the rate of 7.5% at the time of making payment of the sum or crediting the sum to the account of the payee. Provided, however, that-

- ☐ money received by freight forward agent-
 - If it is commission only, tax shall be collected on said commission @ 10%;
 - If it is a gross bill or a gross bill including commission, tax shall be collected on the said bill at the rate of 2.5%.
- ☐ no deduction under this section shall be made against the remittance from abroad which is -
 - excluded from total income by para 12, 17, 21 and 33 of Part 1 of the Sixth Schedule.
 - Any donation or grant received by any educational or research institution.

Transfer of Property [Section 125 and Rule 6]

Any registering officer responsible for registering any document of a person under the provisions of clause (b), (c) or (e) of sub-section (1) of section 17 of the Registration Act, 1908 (XXI of 1908) shall not register any document unless tax is paid through 'Challan' at such rate as may be prescribed in relation to the property by the transferor of the property. Provided that the rate of tax shall not exceed **Tk. 20 lac per katha** (1.65 decimal) for land, **Tk. 1,000 per square meter** for any structure, building, flat, apartment floor space on the land, if any, or **10% of deed value**, whichever is higher.

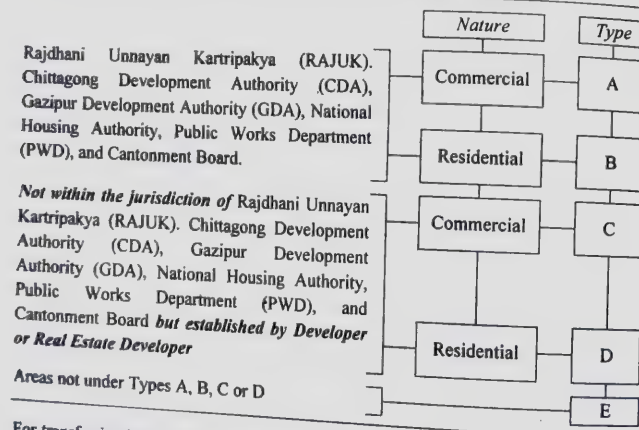
Nothing in this section shall apply to a document relating to:

- ☐ sale by a bank or any finance company as a mortgagee empowered to sell;
- ☐ mortgage of any property to any bank or finance company against any loan;
- ☐ transfer of property to a trust or special purpose vehicle established only for the purpose of issuing *sukuk* approved by government or Securities Exchange Commission and vice versa.

TDS deducted on the above-mentioned Transfer of Property will be considered as final payment of tax [SRO 286-Law/IT-16/2023 dated October 11, 2023].

Rate of Tax [Rule 6, TDS Rules 2024 SRO 161-Law/IT-36/2024 dated May 29, 2024]

For this Rule, properties of the areas are categorized as follow in imposing tax.



For transferring land, land & building under these types (A, B, C, D, & E), located in the given commercial areas, three cases of applicable tax are stated below:

Case 1: For the following areas, tax shall be higher of 8% of the deed value (For Case E 6%) and the rate per katha as given below.

All Mouja of Dhaka District under Gulshan, Banani, Motijheel & Tejgaon P. S.				
All Mouja of Dhaka District under Dhanmondi, Wari, Tejgaon Industrial P.S., Shahbag, Ramna, Paltan, Bongshal, Newmarket, and Kalabagan P. S.				
All Mouja of Dhaka District under Kafrul, Mohammadpur, Sutrapur, Jatrabari, Uttara Model P.S., Cantonment, Chwakhbazar, Kotowali, Lalbag, Khilgaon, Shampur, and Gandaria				
<ul style="list-style-type: none"> All Mouja of Dhaka District under Khilkhet, Airport, Uttara West, Mugda, Rupnagar, Vashantek, Badda, Pallabi, Vatura, Shahjahanpur, Mirpur Model, Darussalam, Dakshinkhan, Uttarkhan, Turag, Shah Ali, Sabujbag, Kadamtali, Kamrangirchar, Hajaribag, Demra, and Adabar P.S.; All Mouja of Narayanganj District under Sadar P.S. 				
Rate per katha for different property types [1 katha = 1.65 decimal land]				
Type A	Type B	Type C	Type D	Type E
Tk. 15 lac	Tk. 6 lac	Tk. 15 lac	Tk. 6 lac	Tk. 5 lac
Tk. 10 lac	Tk. 4 lac	Tk. 10 lac	Tk. 4 lac	Tk. 3 lac
Tk. 5 lac	Tk. 2 lac	Tk. 5 lac	Tk. 2 lac	Tk. 1.5 lac
Tk. 4 lac	Tk. 1.5 lac	Tk. 4 lac	Tk. 1.5 lac	Tk. 1 lac

Case 2: For the following areas, tax shall be higher of 6% of the deed value and the rate per katha as given below.

All Mouja of Chattogram District under Khulshi, Panchlaish, Pahartali, Halisahar, and Kotowali P.S.; All Mouja of Narayanganj District under Sonargaon, Fatullah, Siddiganj, Bandar P.S.; All Mouja of Gajipur District under Sadar, Bashan, Konabari, Gacha, Tongi East and Tongi West P.S.				
All Mouja of Dhaka District under Dohar, Nababganj, Keraniganj, Savar, and Dhamrai P.S.; All Mouja of Chattogram District under Akbar Shah, EPZ, Karmaphuli, Chwakhbazar, Chandgaon, Doublemooring, Potenga, Panchlaish, Bandar, Baklia, Bayejid Bostami, and Sadarghat P.S.; All Mouja of Gajipur District under Joydevpur and Kaliganj P.S.; All Mouja of Narayanganj District under Rupganj and Araihaaz P.S.				
Rate per katha for different property types [1 katha = 1.65 decimal land]				
Type A	Type B	Type C	Type D	Type E
Tk. 3 lac	Tk. 1 lac	Tk. 3 lac	Tk. 1 lac	Tk. 50,000
Tk. 2 lac	Tk. 80,000	Tk. 2 lac	Tk. 80,000	Tk. 20,000

Case 3: For the following areas, tax shall be based on the deed value.

	Tax Rate
Mouja not included in case 1 & case 2, except Dhaka South, Dhaka North, Chattogram, Narayanganj, Gazipur City Corporation, all Mouja under other City Corporations and any other Development Authority and all Pourashavas under District Headquarters.	6% of the deed value
All Mouja under any Pourashavas not included in cases 1 & 2 and the above list of case 3.	4% of the deed value
All Mouja under any Upazilla (except Pourashavas) not included in cases 1 & 2 and above lists of case 3.	2% of the deed value

Provided that where any structure, building, flat, apartment or floor space is situated -

- ☐ on the land of Types A to D, an additional tax shall be paid @ Tk. 800/- per square meter or 8% of the deed value of such property, whichever is higher.
- ☐ on the land of Type E, an additional tax shall be paid @ Tk. 500/- per square meter or 6% of the deed value of such property, whichever is higher.
- ☐ on the land of Any other category, an additional tax shall be paid @ Tk. 300/- per square meter or 6% of the deed value of such property, whichever is higher.

The nature (whether residential or commercial) of the land or premises, house, flat, apartment or floor space must be mentioned in the remarks column of every deed, otherwise it will be assumed that tax has not been correctly collected under this Rule. Tax will be deducted under this rule in case of registering the deed for the transfer of land or premises, house, flat, apartment or floor space by the government or any government authority.

Exceptions

TDS under this Rule 6 shall not be applicable in the following cases:

- ☐ Registration of Mortgage Deed of any land or structure, house property, flat, apartment, or floor space; Registration of Transfer of Property (any land or structure, house property, flat, apartment, or floor space) by United Nations or its body, or any Embassy or Mission; Registration of NOC (No Objection Certificate) Deed where proprietorship is not abolished; Registration of Property Distribution Deed under Inheritance or partnership; Registration of Property Transfer under Waqf or Debottor; and Any Property Transfer Deed against priceless or with no benefit instead of price, e.g. Heba, Gift, Will, Exchange etc.
- ☐ In case of any land or structure, house property, flat, apartment, or floor space, valued more than Tk. 1,000,000, situated within the jurisdiction of City Corporation, Pourashava, or Cantonment Board, no registration for sales or transfer or conditional agreement against earnest money or Power of Attorney can be done unless the transferor and the transferee submit the Proof of

Submission of Return (PSR).

- ☐ Under this Rule, each submitted Pay order should be deposited into Government Treasury through separate A-Challan:

Time of Pay Order Collection	Time of Deposit through A Challan
<ul style="list-style-type: none"> ▪ 1st week of July to 3rd week of June, in the fiscal year. ▪ Last week of June, in the fiscal year ▪ Last working day of June, in the fiscal year 	<ul style="list-style-type: none"> Within 1st working day of the next week of the week in which the collection was made; Within next working day in which day the collection was made; Within the last working day of June, in the fiscal year

EXHIBIT

12.7

Additional Tax in Property Registration

Case 1: A piece of 5 katha commercial plot, situated in Gulshan under the jurisdiction of Rajuk area, is sold out with a deed value of Tk. 10 Crore. What income tax is to be collected at the time of registration in this regard? (a) Income tax payable @ Tk. 15,00,000 per katha (Tk. 15,00,000 × 5) = Tk. 75 lac and (b) 8% of Deed Value = (10 crore × 8%) = Tk. 80 lac. So, the income tax payable amount during registration will be higher of (a) and (b) i.e., Tk. 80 lac. In case of residential plot

Case 2: A piece of 5 katha residential plot, situated in Khulshi, Chattogram, is sold out with a deed value of Tk. 1 Crore. What income tax is to be collected at the time of registration in this regard? (a) Income tax payable @ Tk. 1,00,000 per katha (Tk. 1,00,000 × 5) = Tk. 5 lac and (b) 6% of Deed Value = (1 crore × 6%) = Tk. 6 lac. So, the income tax payable amount during registration will be higher of (a) and (b) i.e., Tk. 6 lac

Case 3: Mr. Hasan has purchased a 2,500 Sq. flat (with proportional ownership of 0.5 katha land) from a Real Estate Developer Company in Dhanmondi R/A. The Deed Value of the flat is Tk. 60,00,000 (value of land Tk. 20 lac and value of flat Tk. 40 lac). What income tax is to be collected at the time of registration in this regard U/s 125? Here, Income tax payable under Section 125: Income tax payable for land - (a) Tk. 400,000 per katha (Tk. 400,000 × 0.5) = Tk. 200,000 and (b) 8% of Deed Value = (Tk. 20,00,000 × 8%) = Tk. 1,60,000. So, the income tax payable amount during registration for land will be higher of above (a) and (b) i.e., Tk. 200,000. Additional income tax payable for flat - (a) Tk. 800 per Sq. Meter: (800 × 2,500)/10.76 = Tk. 185,874 [1 Sq. meter = 10.76 Sq. feet] and (b) 8% of Deed Value = (Tk. 40,00,000 × 8%) = Tk. 3,20,000. So, the income tax payable amount during registration for flat will be higher of above (a) and (b) i.e. Tk. 3,20,000. Therefore, the total income tax payable amount for the land and flat will be (Tk. 200,000 + Tk. 3,20,000) = Tk. 5,20,000.

Persons in Real Estate or Land Development Business [Sec 126 & Rule 7]

Any person responsible for registering any document for transfer of any land, building, house, flat, apartment or floor space, under the provision of Registration Act 1908 (XVI of 1908), shall not register the document unless tax is paid at specific rate by the transferor who is engaged in real estate or land development business [Section

126(1)]. For this section, the rate of tax will not exceed [Section 126(2)] the following:

building, house, flat, apartment or floor space	For residential purposes	Tk. 1,600 per square meter
	other purposes	Tk. 6,500 per square meter
Land related to the buildings or apartments		5% of the Deed Value

Rate of TDS, as the case may be [Rule 7, TDS Rules, TDS Rules 2024 SRO 161-Law/IT-36/2024 dated May 29, 2024]

Any person responsible for registering any document for transfer of any building or apartment, under the provision of Registration Act 1908 (XVI of 1908), shall not register the document unless tax is paid at the following rate and a copy of A Challan is attached with the application as a proof by the transferrer who is engaged in real estate or land development business.

- In the case of building or apartment constructed for residential and commercial/non-residential purposes TDS is as follows per square meter –

TDS per square meter for residential (RES) or commercial (COM) purposes

	RES	COM
▪ All Mouja of Dhaka District under Gulshan, Banani, Motijheel & Tejgaon P. S.	1,600	6,500
▪ All Mouja of Dhaka District under Dhanmondi, Wari, Tejgaon Industrial P.S., Shahbag, Ramna, Paltan, Bongshal, Newmarket, and Kalabagan P. S.	1,500	5,000
▪ All Mouja of Dhaka District under Khilkhet, Kafrul, Mohammadpur, Sutrapur, Jatrabari, Uttara Model P.S., Cantonment, Chwakhbazar, Kotowali, Lalbag, Khilgaon, Shampur, and Gandaria	1,400	4,000
▪ All Mouja of Dhaka District under Dohar, Nababganj, Keraniganj, Savar, and Dhamrai P.S.; All Mouja of Chattogram District under Akbar Shah, EPZ, Karnaphuli, Chwakhbazar, Chandgaon, Doublemooring, Potenga, Panchlaish, Bandar, Baklia, Bayejid Bostami, and Sadarghat P.S.; All Mouja of Narayanganj District under Araihaazar P.S.; except Dhaka South, Dhaka North, Chattogram, Narayanganj, Gazipur City Corporation, all Mouja under other City Corporations	700	2,000
▪ All Mouja of Dhaka District under Airport, Uttara West, Mugda, Rupnagar, Vashantek, Badda, Pallabi, Vatara, Shahjahanpur, Mirpur Model, Darussalam, Dakshinkhan, Uttarkhan, Turag, Shah Ali, Sabujbag, Kadamtali,	1300	3,500

Chapter – 12 Deduction of Taxes

Chawkbazar, Kamrangirchar, Kotowali, Lalbag, Hajaribag, Demra, and Adabar P.S.; All Mouja of Chattogram District under Khulshi, Panchlaish, Pahartali, Halisahar, and Kotowali P.S.; All Mouja of Gajipur District under Sadar, Bashan, Konabari, Gacha, Tongi East, Tongi West, Joydebpur, and Kaliganj P.S.; All Mouja of Narayanganj District under Sadar, Fatullah, Siddirganj, Bandar, Rupganj, and Sonargaon P.S.;

- any other area that are not included above

300	1,000
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- Any person responsible for registering any document for transfer of any land related to building or apartment, or any land constructed or developed by any Developer or Real Estate Developer (as defined U/s 2 of the Real Estate Development and Management Act, 2010) under the provision of Registration Act 1908 (XVI of 1908), shall not register the document unless tax is paid at the following rate and a copy of A Challan is attached with the application as a proof by the transferrer i.e. Developer or Real Estate Developer, such as:
 - 5% of the Deed Value for Dhaka, Gazipur, Narayanganj, Munshiganj, Manikganj, Narsingdi and Chattogram districts;
 - Three percent (3%) for any other district.

Other Pointers:

- TDS under this Rule 6A shall be applicable within the meaning of the definition of “Developer” or “Real Estate Developer”, in case of the development or transfer of any land or structure, house property, flat, apartment, or floor space by the government or any government authority;
- In case of any land or structure, house property, flat, apartment, or floor space, valued more than Tk. 1,000,000, situated within the jurisdiction of City Corporation, Pourashava, or Cantonment Board, no registration for sales or transfer or conditional agreement against earnest money or Power of Attorney can be done unless the transferor and the transferee submit the Proof of Submission of Return (PSR).
- Under this Rule, each submitted Pay order should be deposited into Government Treasury through separate A-Challan:

Time of Pay Order Collection	Time of Deposit through A Challan
▪ 1 st week of July to 3 rd week of June, in the fiscal year.	Within 1 st working day of the next week of the week in which the collection was made;
▪ Last week of June, in the fiscal year	Within next working day in which day the collection was made;
▪ Last working day of June, in the fiscal year	Within the last working day of June, in the fiscal year

Deduction of Tax from Commission paid for selling Government Stamp, Court Fee Cartridge Paper etc. [Section 127]

Any person responsible for paying commission discount or fee, in whatever name, for selling Government Stamp, Court Fee Cartridge Paper etc. shall deduct tax at the rate of 10% on such amount at the time of making payment.

Collection of Tax from Lease of Property [Section 128]

Any registering officer responsible for registering, under the Registration Act, 1908 (XXI of 1908), any document in relation to any lease of immovable property for not less than ten years, shall not register such document unless tax is paid at a rate of four percent (4%) on the lessee on the lease amount of such property.

Cigarette Manufacturers [Section 129]

Any person responsible for selling banderols to any manufacturer of cigarettes shall, at the time of selling banderols, collect tax from such manufacturers on account of the manufacture of cigarette at the rate of 10% of the value of the banderols. Here, "manufacture of cigarettes" means manufacture of cigarettes manually without any mechanical and whatsoever.

Brick Manufacturers [Section 130]

Any person responsible for issuing or renewal of permission for the manufacture of bricks under the Brick Manufacturing and Brick Kiln Establishment (control) Act, 2013 (99 No. Act of 2013) shall not issue or renew such permission unless the application for issuance or renewal of such permission is accompanied by a tax clearance certificate of the preceding assessment year along with the receipt of the tax verified by the DCT at the rates.

Rate of Brick Tax (in case of seasonal brick kilns)

- Not exceeding 108,000 cubic feet volume
- Exceeding 108,000 but not exceeding 124,000 cubic feet
- More than 124,000 cubic feet
- In the case not mentioned above

Adv. Tax Rate
Tk. 8,000
Tk. 20,000
Tk. 160,000
Tk. 220,000

Where a license is to be granted or renewed for more than one year in any year, advance tax at the rate mentioned above shall be deposited through treasury within June 30 of the year or years following the year of license issue or renewal [Sec 130(2)]. Where in any year the person who produces or manufactures bricks fails to pay the advance tax as per subsection 2, the amount of advance tax payable by such person in the subsequent year shall be determined in accordance with formula A + B, where -

- A - amount of advance tax remained unpaid in the previous year or years, and
B - amount of advance tax payable under subsection (1) in the year of payment.

Collection of Tax by City Corporation or Pourashava at the Time of Renewal of Trade License [Section 131]

City Corporation or Pourashava shall collect tax for each trade license at the time of renewal of such license at the rate of Tk. 3,000 in Dhaka South/North or Chittagong City Corporation; Tk. 2,000 in any other city corporation; Tk. 1,000 in any pourashava at any district headquarter; and Tk. 500 in any other pourashava.

Shipping Business of a Resident [Section 132]

TDS @ 5% of the total freight received or receivable by a ship owned or chartered by a resident assessee for carrying passengers, livestock, mails or goods at the time of granting port clearance by customs authority, unless a certificate is received in prescribed manner from Deputy Commissioner of Taxes concerned. Provided tax shall be collected @ 3% of total freight received or receivable from services rendered between two or more foreign countries.

Collection of tax on sale of goods or property by public auction [Sec. 133]

Any person making sale, by public auction through sealed tender or otherwise, of any goods or property belonging to any specific owner, shall collect, before delivering the possession of the goods or the property or allowing to exercise the rights, as advance tax on the income from the sale price of such goods or property from the auction purchaser at the rate of 10% of the sale price. Provided that the rate of deduction shall be 1% in case of sale of tea by public auction. If any land is sold as plot through open auction, no TDS will be applicable under this section. For the purposes of this section,

- "Sale of Goods or Property" means lease of any goods or property, Jolmohal, Balumohal, Sairat Mohal, including a lease of the right to collect octroi duties, tolls, fees or other levies, by whatever name called, but does not include sale of a plot of land.
- "Specific Owner" means Government or any authority, including its units, the activities or the principal activities of which are authorized by any Act, Ordinance, order or instrument having the force of law in Bangladesh or any company or entity established by or under any law for the time being in force.

Collection of Tax from Share Transfer [Section 134]

Any person responsible for registering the transfer of non-listed company shares made by any resident to any person, shall not do so until the transferor pays 15% tax on the face value and fair value and attach the concerned challan with the said application. For the purpose of this section,

- "Face Value" means the value set by the issuer and will include any additional amount, if
 - It is paid through bank transfer; and
 - It is shown properly in the Income Tax Return of the Assessee
- "Fair Value" means the value set by any Professional Valuer in the "Valuation Report" made before the said transfer;

- ☐ "Professional Valuer" means any Professional Valuer certified by Bangladesh Bank or Bangladesh Securities and Exchange Commission.

Collection of Taxes on Transfer of Securities [Section 135]

The person responsible for the transfer of securities of a company or fund listed in a stock exchange shall not transfer the securities unless, before effecting the transfer, tax has been paid by the transferor in accordance with the following formula:

$$A = (B - C) \times 10\%$$

where, A = amount of tax payable under this section; B = Transfer value of securities; and C = Acquisition value of the securities.

For the purpose of this section:

- ☐ 'securities' means the securities of a company or fund held by a sponsor shareholder, director shareholder or placement shareholder of that company or fund;
- ☐ 'transfer' includes transfer other than a gift between parents and children, and between spouses;
- ☐ 'transfer price' means-
 - The closing price of the securities on the day of approval or approval of the transfer by the BSEC or the Stock Exchange; or
 - The closing price of the securities on the day on which the securities were last traded, if there is no trade of the securities on the day on which the consent is given by the BSEC or the Stock Exchange.

Transfer of Share of Shareholder of Stock Exchanges [Section 136]

The Principal Officer of a stock exchange shall deduct tax at the rate of 15% on any profits and gains arising from the transfer of share of a shareholder of stock exchange established under the Exchanges Demutualization Act, 2013 (Act No. 15 of 2013) at the time of transfer or declaration of transfer or according consent to transfer of such share, whichever is earlier. Here, for computation of profits and gains of share, the cost of acquisition of such share shall be the cost of acquisition incurred before the Exchanges Demutualization Act, 2013 (Act No. 15 of 2013)] came into force.

Member of Stock Exchange [Section 137]

The Chief Executive Officer of a stock exchange shall collect tax at the rate of 0.05% on the value of shares and mutual funds transacted by a member of a stock exchange. This section however, shall not be applicable on the transfer of listed Sukuk & Bond.

Collection of tax from motor vehicles plying commercially [Section 138]

The person responsible for the registration and fitness renewal of motor vehicles shall not register or allow fitness renewal unless, a challan of advance tax at the rate given in the following table is attached with the application:

	Tax Rate
▪ Bus having more than 52 seats	Tk. 16,000
▪ Bus having 52 or less seats	11,500
▪ Air-Conditioned Luxury Bus	37,500
▪ Double Decker Bus	16,000
▪ Air-Conditioned minibus/coaster	16,000
▪ Other types of minibus/coaster	6,500
▪ Primemover used for carrying container	24,000
▪ Truck/Tank Lorry (capacity more than 5 ton)	16,000
▪ Truck/Tank Lorry (capacity > 1.5 and < 5 ton)	9,500
▪ Truck/Pick up (capacity < 1.5 ton), all kind of human hauler, maxi, goods carrying auto rickshaws	4,000
▪ Air-Conditioned Taxi cab	11,500
▪ Taxi Cab without Air conditioned	4,000

In case of registration or fitness renewal of a vehicle for more than one year, advance tax as above shall be collected on or before 30th June in every subsequent year or years following the year in which registration or fitness renewal of the vehicle has been done [Sec 138(2)].

Where any person fails to pay advance tax as mentioned here, the amount of advance tax payable shall be calculated in accordance with A + B formula, where A = the amount of advance tax not paid in the previous year or years; and B = the amount of advance tax payable under sub-section (2) for the year in which an assessee is making the payment.

Advance tax under sub-section (2) shall not be collected if the vehicle is owned by -

- ☐ the government and the local government;
- ☐ a project, program, or activity under the government and the local government;
- ☐ a foreign diplomat, a diplomatic mission in Bangladesh, UN and its offices;
- ☐ a development partner of Bangladesh and its affiliated office or offices;
- ☐ an educational institution under the Monthly Payment Order of the Government;
- ☐ a public university;
- ☐ Gazetted wounded freedom fighter;
- ☐ an institution that has obtained a certificate from the Board that advance tax shall not be collected from it

Collection of tax from inland ships (Section 139)

The person responsible for granting a certificate of survey or renewing a certificate of survey under the Inland Shipping Ordinance, 1976 shall not grant or renew such certificate of survey U/s 12 unless, a challan of advance tax computed at the rate given in the following table is attached with the application:

	Tax Rate
Inland ships engaged in carrying passengers in inland water (carrying capacity of an inland ship shall be the capacity of daytime plying in smooth waters)	@ Tk. 125 per passenger
Cargo/Container (multipurpose) and Coaster engaged in carrying goods in inland water	@ Tk. 170 per gross tonnage
Dump Barge engaged in carrying goods in inland water	@ Tk. 125 per gross tonnage

In case of granting a certificate of survey or renewing a certificate of survey for more than one year, such advance tax shall be collected on or before 30th June in every subsequent year or years following the year in which grant of or renewal of such certificate has been done [Sec 53R(2)]. Where any person fails to pay advance tax in accordance with sub-section (2), the amount of advance tax payable shall be calculated in accordance with A + B formula, where A = the amount of advance tax not paid in the previous year or years; and B = the amount of advance tax payable under sub-section (2) for the year in which an assessee is making the payment.

Here, 'inland ship' and 'inland water' shall have the same meaning as defined in the Inland Shipping Ordinance, 1976 (Ordinance No. LXXII of 1976).

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GENERAL RULES APPLICABLE ON TDS

Deduction of Tax on Grossed Up Value in case of Payment without deduction

As per Section 141 & Rule 13, where the person responsible for payment, pays any amount without deduction or collection of taxes, tax will be deducted based on the following formula [Sec 141(1)]:

$$C = (100 \times A) \div (100 - B)$$

where C = Amount computed on which tax will be deducted, A = Amount of payment without Tax, and B = Applicable tax rate

Where, the receiver of the payment without tax – were liable to submit proof of return submission but failed to do so; or failed to receive such amount through bank transfer, in such cases the above mentioned "B" i.e. "Applicable tax rate" shall be determined as per the rules of this chapter i.e. Section 142 [Section 141(2)]. For this section, "Payment without Tax" means any payment made by the payer without deduction or collection of tax on the basis of any agreement or arrangement [Section 141(2)].

General Rules of Tax Deduction or Collection at Sources [Sec 142 & Rule 14]

Except the provision under Section 119 (Deduction of tax from non-residents) or if no different rules exist under any other section of this chapter, the rate of tax shall be **50% higher** if the payee fails to submit proof of submission of return at the time of making the payment [Sec 142(1)]. If no different rules exist, the rate of tax shall be

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50% higher if the payee does not receive payment against contract price, bill, rent, fee, charge, salaries, remuneration, or any other pay, whatever the name, by bank transfer [Sec 142(1)].

CONSEQUENCES OF FAILURE TO DEDUCT, COLLECT ETC. [SECTION 143]

- ☐ Where a person, under the provisions of this Part 7 –
 - fails to deduct or collect tax at source as required; or
 - deducts or collects tax at a lesser rate or in lesser amount; or
 - after deducting or collecting tax, fails to pay the same to the credit of the Government, or pays to the credit of the Government an amount lower than the collected or deducted amount; or
 - fails to comply with any other provision;
- such person shall be deemed as an assessee in default [Section 143(1)].
- ☐ Without prejudice to any other consequences to which the person may be liable, shall be liable to pay:
 - the amount of tax that has not been deducted or collected; or
 - the amount which was required to be deducted or collected, as reduced by the amount that has been actually deducted or collected; or
 - the amount that, after being collected and deducted, has not been paid to the credit of the Government; or
 - a penalty not exceeding Taka ten lakhs for being non-compliant in respect of cases other than the cases mentioned above [Section 143(2)].
 - ☐ In addition to the amount as mentioned in sub-section (1), the person shall also be liable to pay an additional amount **@ 2% per month on the amount other than the penalty as mentioned in above clauses (i), (ii) and (iii) of clause of sub-section (1), as the case or cases may be, calculated for the period [Sec 143(3)].**

In the case of

Base of calculation of additional amount

▪ failure to deduct or collect under the provisions of this chapter	the amount of tax that has not been deducted or collected
▪ deduction or collection at lower rate or amount	the amount which was required to be deducted or collected, as reduced by the amount that has been actually deducted or collected
▪ failure to deposit the amount deducted or collected to the government treasury	the amount that, after being collected and deducted, has not been paid to the credit of the Government

- The period for which the additional amount is calculated shall be from the date of deduction or collection to the date of payment of the amount to the government treasury. Provided that such period shall not exceed twenty-four months [Section 143(4)].
- The Deputy Commissioner of Taxes shall take necessary action for the realization of the amount and penalty as mentioned in sub-section (2) and the additional amount as mentioned in sub-section (3) from the person referred to in sub-section (1) after giving the person a reasonable opportunity of being heard [Section 143(5)].
- Where the person responsible for deducting or collecting tax under this chapter is the Government, government organization, any authority, project, program, body, unit or activity where government has any financial or operational involvement-
- the individuals responsible for approving or allowing the payment; or
 - the individuals who are responsible for allowing, approving, or granting any clearance, registration, license, permits, etc. shall, permits, etc.
- shall be jointly and severally liable to pay taxes, penalty or additional amount under this section [Section 143(5)].
- Where the person responsible for deducting or collecting tax under this chapter is a person other than the Government, or any authority, corporation or body of the Government- including its units or a project or programme or activity where government has any financial or operational involvement-
- the organization itself; and or
 - the individuals responsible for approving or allowing the payment
- shall be jointly and severally liable to pay taxes, penalty or additional amount under this section.
- No realization of the amount mentioned in sub-section (1) shall be made if it is established that such amount as mentioned in subsection (2) & (3) has meanwhile been paid by the person from whom the deduction or collection was due.

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CHARGE OF MINIMUM TAX [SEC 18(3)(c) & 163]

According to Section – 18(3)(c), where under the provisions of this Act any minimum tax is to be charged, it shall be charged, levied, paid and collected accordingly. Notwithstanding anything contained in any other provisions of this Act, minimum tax shall be payable by an assessee in accordance with the provisions of section 163 of the ITA, 2023.

According to Section 163(2), Any tax deducted or collected at source under the provisions of following sections shall be the minimum tax on income from the source or sources from which tax has been deducted or collected.

Section 88 Payment to Beneficiary of Workers' Participation Fund

Section 89	Payment to Contractors, etc.
Section 90	Payment for Certain Services
Section 91	Payment of Royalties etc.
Section 92	Advertising Bill of Newspaper or Magazine or Private Television Channel or Private Radio Station etc.
Section 94	Commission, Discount or Fees
Section 95	Collection of Tax from Travel Agent
Section 100	Insurance Commission
Section 101	Fees, etc. of Surveyors of General Insurance Company
Section 102*	interest on saving deposits and fixed deposits, etc.
Section 105*	interest on saving instruments
Section 106	Interest on Securities
Section 108	Receipts in Respect of International Phone Call
Section 110	Services from Convention Hall, Conference Centre, etc.
Section 111	Compensation Against Acquisition of Property
Section 112*	Export Cash Subsidy
Section 113	Freight Forward Agency Commission
Section 114	Collection of Tax on Account of Purchase of Power
Section 115	Payment by Real Estate Developer to Landowner
Section 116	Commission/Remuneration Paid to Agent of Foreign Buyer
Section 117	Dividends
Section 118	Lottery, etc.
Section 120	Importers
Section 121	Income Derived from Export of Manpower
Section 122	Commission of Clearing & Forwarding (C&F) Agents
Section 123	Export Proceeds of Goods
Section 124	Any Income Remitted from Abroad in Connection with Any Service, Revenue Sharing, etc.
Section 125*	Transfer of Property
Section 126	Persons in Real Estate or Land Development Business
Section 127	Commission paid for selling Government Stamp, Court Fee, Cartridge Paper etc.
Section 128	Lease of Property
Section 129	Cigarette Manufacturers
Section 132	Shipping Business of a Resident
Section 133	Sale price of goods or property sold by public auction
Section 134	Share Transfer
Section 135	Transfer of Securities
Section 136	Transfer of Share of Shareholder of Stock Exchanges
Section 137	Member of Stock Exchange
Section 138	Collection of tax from motor vehicles plying commercially
Section 139	Inland ships

* Final Payment of Tax

12.10 CERTIFICATE OF DEDUCTION [SECTION 145]

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As per section 45 and Rule 11, every person who deducts or collects tax shall furnish to the person to or from whom such deduction or collection has been made, a certificate of tax deduction or collection as per the specimen given in Tax Deduction at Source Rules 20(2) specifying therein

- ☐ The name and the Taxpayer's Identification Number, if any, of the person from whom tax has been deducted or collected;
- ☐ The amount of deduction or collection of taxes;
- ☐ Section or sections under which tax has been deducted or collected;
- ☐ The particulars of the payment of deducted or collected amount to the credit of the Government, and
- ☐ Such other particulars as may be prescribed in the specimen form.

The Board may, by notification in the official Gazette-

- ☐ specify the cases in which the certificate of tax deduction or collection shall be generated or furnished electronically or in any other machine readable or computer readable media;
- ☐ specify the manner in which such electronic, machine readable or computer readable certificate shall be generated or furnished.

Every person who has deducted or collected any tax shall furnish a statement to such income tax authority and in such manner as may be prescribed.

Consequences of the issuance of certificate of tax deduction or collection without actual deduction, collection or payment [Section 144]

- ☐ Where a person issues a certificate of deduction or collection of tax at source without actual deduction or collection or payment to the credit of the Government, without prejudice to any other consequences to which he may be liable the person shall be personally liable to pay the amount not being deducted, collected or paid to the credit of the Government.
- ☐ The Deputy Commissioner of Taxes shall take necessary action for the collection of amount mentioned in sub-section (1) from the person so personally liable after giving the person a reasonable opportunity of being heard.

12.11 MANNER OF PAYMENT OF TDS [SECTION 146 & RULE 8]

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As per Rule 8 the person responsible for making deduction or collection of tax under Chapter VII of the Act shall pay the amount of tax so deducted or collected to the credit of the Government within the time specified in Rule 8 by-

- ☐ remitting it through an A challan, or
- ☐ transferring the amount electronically in the manner as specified by the Board [Section 146(1)].

Save as provided in this Act, no person shall charge, withhold, deduct or collect any sum, directly or indirectly, as tax and, where any sum is so charged, withheld, deducted or collected, it shall be paid in the manner provided in this section [Section 146(2)].

12.12 TIME OF TDS PAYMENT TO GOVERNMENT [RULE 9]

CLO
12.6

All sums of TDS have to be deposited to the national exchequer within the prescribed time specified in Rule 9 by the person making the deduction to the credit of the Government or as the Board may direct:

<i>In case of deduction or collection made in any:</i>	<i>Date of payment to the credit of the Government</i>
▪ month from July to May of a year	within two weeks from the end of the month in which the deduction or collection was made
▪ day from June 01 to June 20 of a year	within seven days from the date in which the deduction or collection was made
▪ other dates of the month of June of a year	The next following day in which the deduction or collection was made
▪ last working day in June of a year	day in which the deduction or collection was made

12.13 POWERS OF INCOME TAX AUTHORITY TO VERIFY AND ENFORCE DEDUCTION/COLLECTION OF TAX [SEC 147]

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An authority, empowered in writing by the Commissioner of Taxes, Director General of Inspection or Director General of Intelligence Cell to verify deduction or collection of tax at source or to enforce the provisions of Part 7 of this ACT, -

- ☐ Regarding any individual's or organization's
 - shall have full and free access to the premises, places, products, books of accounts/records of economic activities maintained in any form or manner;
 - shall have access to any information, code or technology which has the capability of retransforming or unscrambling encrypted data contained or available to such computers into readable and comprehensive format or text;
 - may extract the data, images or any inputs stored in the electronic records and systems or enter the systems by breaking through password protection or copy or analyze the data, books of accounts, documents, images or inputs;
 - may enter into the system breaking through the password;
 - may copy or analyze any information, books of accounts, documents, image or inputs;
 - may place marks of identification on or stamp any books of accounts or other document or make or cause to be made extracts or copies therefrom;

SELF - REVIEW

12.2

Specify the rate of tax deducted at sources under each of the following heads:

- Salaries
- Interest on securities
- Clearing and forwarding agents
- Commission to foreign buyer's agent
- Sale of goods or property by public auction.

- may impound and retain any such books of accounts, documents, electronic records and systems; and
 - may require any person to perform or refrain from activities as directed;
- ☐ An authority empowered under sub-section (1), may be accompanied by experts, valuer or forces as he reasonably thinks fit [Section 147(1)].

Where any authority empowered under sub-section (1) is obstructed, hindered or unassisted by any person, the person in whose premise or place the authority has entered or intended to enter shall be liable to a penalty not exceeding **Taka fifty lakh**. Where a person is found to be in default in respect of compliance of the provisions under this Part, the Deputy Commissioner of Taxes shall, after recording explanation of the person so in default or ex parte where no explanation is found, proceed to recover the amount of taxes along with penalties by making an assessment thereof. [Section 147(2-3)].

Power to levy tax without prejudice to other mode of recovery [Section 148]
The power to levy tax by deduction or collection under this Part shall be without prejudice to any other mode of recovery.

SOLVED PRACTICAL CASES (SPC)

SPC 12.1

ADVANCED INCOME TAX, SUPPLEMENTARY DUTY, VAT, TDS

[ICAB adapted] Biki (Bangladesh) Company Limited is engaged in trading business of consumable goods. During the income year ended on June 30, 2024, the company procured goods for commercial purposes from both home and abroad.

On July 2023: purchased (home) Tk. 30 lac and imported at C & F value \$5 lac.
On October 2023 : purchased (home) Tk. 40 lac and imported at C & F value \$4 lac.

Other data

- Exchange rate on July was \$1 = Tk. 108 and October \$1 = Tk. 110.
- Paid import duty @ 20% and supplementary duty @ 25% at import stage.
- VAT and AIT were also imposed at applicable rates at import stage.
- Custom's assessed value for goods imported in July 2023 and October 2023 was USD 550,000 and USD 440,000 respectively.
- All the imported goods were sold to one special customer.

Goods purchased locally were sold to five different customers, A, B, C, D, E as:

Chapter - 12 Deduction of Taxes

	A (Tk.)	B (Tk.)	C (Tk.)	D (Tk.)	E (Tk.)
July 10, 2023	200,000	150,000	300,000	500,000	2,400,000
October 24, 2023	400,000	100,000	300,000	700,000	2,500,000
November 28, 2023	500,000	200,000	400,000	400,000	700,000
Total	1,100,000	450,000	1,000,000	1,600,000	5,600,000

Compute (i) advance income tax (AIT), supplementary duty (SD) and value added tax at import stage and (ii) AIT deducted at source by each customer.

Computation of AIT, SD and VAT

	USD	Exchange Rate	BDT
Import value (as assessed by customs)			
July 2023	550,000	108.00	59,400,000
October 2023	440,000	110.00	48,400,000
Assessable value in BDT as per customs			107,800,000
Add: 1% insurance (CIF value is needed as base)			10,78,000
Assessable Value			108,878,000
Add: Import Duty @ 20%			21,775,600
Base value for Supplementary Duty			130,653,600
Add: Supplementary Duty @ 25%			32,663,400
Base Value for VAT			163,317,000
VAT @ 15%			24,497,550
			187,814,550
AIT @ 5% on assessable value			93,90,728
			197,205,278

Computation of AIT deducted at source by customers (Section 89 & Rule 16)

	A	B	C	D	E	Total
1. Sales (BDT)	1,100,000	450,000	1,000,000	1,600,000	5,600,000	9,750,000
2. Applicable Rate	3%	3%	3%	3%	5%	
3. AIT (BDT) [1 × 2]	33,000	13,500	30,000	48,000	280,000	404,500

Note: Accumulation is not made as sales were made to five different customers.

SPC 12.2

TDS IMPLICATIONS

Examine the TDS implications in the cases mentioned hereunder.

- ☐ Case 1: On 1.7.23, Mr. Jamal purchased a six-month 10% government security from Bangladesh Bank paying Tk. 1 lac. The security matures on 31.12.2023.
- ☐ Case 2: ABC & Sons serves as a Clearing and Forwarding (C&F) agent. They have signed a contract with ACI Ltd. for the clearing and forwarding of goods imported from the Chattogram Port. On June 25, 2024 ABC & Sons has

completed clearing and forwarding of a container of goods valued Tk. 50,00,000 for which they are eligible to receive 3% commission.

- ☐ Case 3: Mr. Belal is a tobacco farmer and engaged in the manufacturing and sale of handmade cigarettes (biri) in Rangpur. During the year he purchased banderols of Tk. 10,00,000 from the concerned office.
- ☐ Case 4: Mr. B is a Bangladeshi citizen. During the year 2023-2024, he received compensations of Tk. 50 lac and Tk. 30 lac against the government's acquisition of lands in Mirpur, Dhaka & Fulgaji, Feni (outside of Paurasabha) respectively.
- ☐ Case 5: ACI Limited has paid Tk. 50,000 and Tk. 10,000 to their employees Mr. S (Officer) and Mr. R (Peon) from the workers' participation fund on 01.04.24.

Tax Implications of the cases are.

Case 1: Bangladesh Bank has to deduct TDS @ 5% on the interest Tk. 5,000 ($10\% \times 100,000 \times \frac{6}{12}$) under section 106. The TDS under section 106 from such interest is, therefore, Tk. 250.

Case 2: The Commissioner of Customs has to deduct TDS @10% on the commission receivable by the C&F agent, ABC & Sons Tk. 150,000 ($3\% \times 50$ lac) under section 122. The tax deductible at source under section 122 from such commission is, therefore, Tk. 15,000.

Case 3: The concerned authority has to deduct TDS @10% of the value of banderols Tk. 10,00,000 under section 129. The TDS under section 129 from such interest is, therefore, Tk. 100,000.

Case 4: The concerned authority has to deduct TDS @ 6% of the compensation value of Mirpur Land Tk. 50 lac [as per sec 111], as the land is in the jurisdiction of DNCC. Conversely, TDS rate will be @ 3% on the compensation value of Fulgaji land Tk. 30 lac as the land is outside the jurisdiction of any city corporation, paurasava or cantonment board. The TDS under section 111 from such compensations are, therefore, Tk. 300,000 and Tk. 90,000 respectively.

Case 5: ACI Limited has to deduct tax at source@10% of the amount paid to Mr. Shovon Tk. 50,000 from the workers' participation fund under section 88. The tax deductible at source under section 88 from such amount is, therefore, Tk. 5,000. On the other hand, TDS applicable against the payment to Mr. Raju, will be Tk. 1,000.

SPC
12.3

TDS IMPLICATIONS

Examine the TDS implications in the cases mentioned hereunder.

- ☐ Case 1: On 01.01.2024, Mr. Jamal, the owner of an automated brick field of 130,000 cubic feet, has applied for the permission to start the brick manufacturing operation.
- ☐ Case 2: On 01.08.2023, Mr. Belal, the owner of a Fast Food Shop in Dhaka New Market has applied for the renewal of his Trade License to the DSCC Office.

- ☐ Case 3: ACI Limited has paid Tk. 50,000 to HTL, as commission to the foreign buyer's agent on March 15, 2024.
- ☐ Case 4: Metlife has paid Tk. 50,000 to Mr. Jalil as the fee for survey on January 01, 2024.
- ☐ Case 5: Grameenphone Limited has arranged its AGM in Hotel Serina Ballroom for Tk. 10,00,000 on March 25, 2024.

Tax Implications of the cases are:

Case 1: U/s 130, the concerned authority cannot issue the permission unless the application for issuance of such permission is accompanied by a tax clearance certificate of the preceding assessment year (i.e. A/Y 2023-24) along with the receipt of the tax verified by the DCT at the rate Tk. 160,000 for brick field producing bricks through automatic machine.

Case 2: U/s 131, DSCC authority shall collect tax for each trade license at the time of renewal of such license at the rate of Tk. 3,000 from Mr. Belal.

Case 3: ACI has to deduct TDS @10% of the amount paid to HTL Tk. 50,000 as foreign buyer's agency commission u/s 116. The TDS under sec. 116 from such amount is, therefore, Tk. 5,000.

Case 4: Metlife has to deduct tax at source@15% on the amount 50,000 under section 101, before paying the fee. The tax deductible at source under section 101 from such fee, therefore, Tk. 7,500.

Case 5: U/s 110, Grameenphone Limited has to deduct tax at source@5% of the amount paid to Hotel Serina Tk. 10,00,000 as the rental fee of Ballroom for arranging its AGM. The tax deductible at source under section 110 from such amount is, therefore, Tk. 50,000.

SPC
12.4

TDS IMPLICATIONS

Examine the TDS implications in the cases mentioned hereunder.

- ☐ Case 1: On 01.01.2024, Microsoft has remitted Tk. 10 lac to Barrister Tareque, its legal representative in Bangladesh, as fee, and Tk. 50 lac to ABC Limited for the civil work in their Dhaka Office. The remittance was done through SCB.
- ☐ Case 2: Grameenphone Limited has paid Tk. 100 crore to BTRC as revenue sharing amount On January 01, 2024.
- ☐ Case 3: One Bank Limited has paid Tk. 12,00,000 to Mr. Jamal, the owner of the Mirpur Branch Building, as annual rent for the building on July 01, 2023.
- ☐ Case 4: Alibaba.Com has remitted Tk. 50 lac to Monno Ceramic Limited as export proceeds on 01.04.2024. The remittance was done through SCB.
- ☐ Case 5: Grameenphone Limited has sold an old car to Mr. Fazal through public auction @ Tk. 10,00,000 on January 01, 2024.
- ☐ Case 6: Mr. Mahub has won the 1st prize of the National Heart Foundation Lottery. The 1st prize winning value is Tk. 30,00,000. National Heart Foundation Authority has distributed the Lottery prizes on March 25, 2024.

Tax Implications of the cases are

Case 1: U/s 124 Standard Chartered Bank has to deduct tax at source @ 5% of the amount Tk. 10,00,000 paid to Mr. Sazzad's legal representative in Bangladesh Barrister Tareque and @ 7.5% of the amount Tk. 4,00,000 paid to A.B. for services rendered by the law firm in its Dhaka Office. The tax deductible at source under section 124 from such amount is, therefore, Tk. 75,000 and Tk. 375,000 respectively.

Case 2: U/s 98 Grameenphone Limited has to deduct tax at source @ 20% of the revenue sharing amount of Tk. 30,00,000 from Mr. K. R. The tax deductible at source under section 98 from such amount is, therefore, Tk. 6,00,000.

Case 3: U/s 104 The Bank Limited has to deduct tax at source @ 5% of the amount Tk. 12,00,000 paid to Mr. Javed Ali the owner of the Mirpur Branch Building, as annual rent for the building. The tax deductible at source under section 104 from such amount is, therefore, Tk. 60,000.

Case 4: U/s 123 Before paying the amount of export proceeds to Monno Ceramic Limited, Standard Chartered Bank has to deduct tax at source @ 1% of the amount Tk. 50,00,000 received as export proceeds from A. B. The tax deductible at source under section 123 from such export proceeds amount is, therefore, Tk. 50,000.

Case 5: U/s 115 Grameenphone Limited has to collect advance tax @ 10% of the auction price Tk. 10,00,000 from the auction purchaser Mr. Fazal before delivering the possession of the car. The advance tax amount under section 115 from such amount is, therefore, Tk. 1,00,000.

Case 6: U/s 118 Before paying the lottery winning amount to Mr. Mahbub, National Heart Foundation Authority has to deduct TDS @ 20% of the lottery winning amount Tk. 30,00,000. The tax deductible at source under section 118 from such winning amount is, therefore, Tk. 6,00,000.

TDS IMPLICATIONS

Examine the TDS implications in the cases mentioned hereunder

- **Case 1: U/s 124** In 2024 Impress Telefilm Limited has paid Tk. 1 lac to renowned actor Mr. A. B. Hayat and Tk. 80,000 to actress Ms. Bidya Sinha Mim for their performance in a telefilm produced by Impress.
- **Case 2: U/s 104** In 2023 Mr. & Mrs. Salam have opened fixed deposit accounts of Tk. 400,000 and Tk. 1,00,000 respectively for one year in the Mirpur Branch of Prime Bank Limited @ 10% interest. The account has been matured on 01/01/24.
- **Case 3: U/s 102** Mr. Sabbir and Mrs. Sabbir have opened post office saving bank account at Dhaka GPO. On 30th June, 2024, the interest amount credited in the accounts are of Tk. 10,000 and Tk. 3,000, respectively.
- **Case 4: Grameenphone Limited** has paid Tk. 10,00,000 and Tk. 50,000 against advertising bill to Channel 1 and the Daily Star on January 01, 2024.
- **Case 5: Shanta Holding Limited** has signed a contract with Mr. Sazzad, the owner of a 10 banna plot in Dhamundi R.A. to construct a 10 storied building.

Against the power of attorney, Shanta Holding Limited has paid Tk. 1,00,00,000 to Mr. Sazzad as the signing money on May 01, 2024.

- **Case 6: Mr. Tajul Islam (Resident), Mr. Javed Ali (Non-Resident Bangladeshi) and Mr. Chris Gayle (Non-Resident Foreigner)** owns 100,000, 30,000, 20,000 and 10,000 shares of Beximco Pharmaceuticals Limited (BCL), respectively. On January, 2024 BCL has declared Tk. 2 cash dividend per share for the year 2023. The dividend has been credited to the concerned bank accounts on March 15, 2024. The shareholders have furnished 12-digit TIN to their banks.

Tax Implications of the cases are

Case 1: U/s 93, Impress Telefilm Limited has to deduct tax at source @ 10% of the amount Tk. 1,00,000 and Tk. 80,000 before paying to Mr. Abul Hayat and Ms. Bidya Sinha Mim respectively. The tax deductible at source under section 93 from such payments are, therefore, Tk. 10,000 and Tk. 8,000 respectively.

Case 2: U/s 102, Prime Bank Limited will deduct tax at source @ 10% on the interest amount of Mr. Salam's deposit of Tk. 500,000. The tax deductible at source under section 102 from such amount is, therefore, [(Tk. 500,000 × 10%) × 10%] Tk. 5,000. In the similar manner, from Mrs. Salam, 10% TDS is applicable on the interest amount of her deposit of Tk. 100,000. The tax deductible at source under section 102 from such amount is, therefore, [(Tk. 100,000 × 10%) × 10%] Tk. 1,000.

Case 3: U/s 102, Dhaka GPO will deduct tax at source @ 10% on the interest amount credited to both Mr. and Mrs. Sabbir's accounts. On 30th June, 2024, the interest amount credited on their accounts are of Tk. 10,000 and Tk. 3,000, respectively. So, the tax deductible at source under section 102 from such amounts are, therefore, Tk. 1,000 and Tk. 300, respectively.

Case 4: U/s 92, Grameenphone Limited has to deduct tax at source @ 5% of the amount paid against advertising bill Tk. 10,00,000 and Tk. 50,000 to Channel 1 and the Daily Star. So, the tax deductible at source under section 92 from such amounts are, therefore, Tk. 50,000 and Tk. 25,000, respectively.

Case 5: U/s 115, before paying the signing money amount to Mr. Sazzad, Shanta Holding Limited has to deduct tax at source @ 15% of the signing money amount Tk. 1,00,00,000. The tax deductible at source under section 115 from such signing money amount is, therefore, Tk. 15,00,000.

Case 6: U/s 117, before paying the dividend amount of Tk. 200,000 to Beximco Communications Limited, Beximco Pharmaceuticals Limited has to deduct tax at source @ 20%. So, the TDS under section 117 from this dividend amount is, therefore, Tk. 40,000.

On the other hand, TDS rate is 10% for a resident or non-resident Bangladeshi recipient, having 12-digit TIN. So, the TDS on the dividend for Tk. 60,000 to Mr. Tajul Islam (Resident) and Tk. 40,000 to Mr. Javed Ali (Non-Resident Bangladeshi) will be Tk. 6,000 and Tk. 4,000 respectively. But U/s 119, TDS rate is 30% for the dividend amount Tk. 20,000 of Mr. Chris Gayle (Non-Resident Foreigner). The tax deductible at source under section 119 from such dividend amount is, therefore, Tk. 6,000.

KEY POINTS

- ☐ In some specific areas, the paying authority is required to deduct tax at source before the income reaches to the assessee and hence the tax deducting authority is working as an agent of the government.
- ☐ TDS is an advance payment of tax in terms of the assessee who will deduct this amount from his total tax liability at the year-end.
- ☐ If the employer fails to deduct tax from the salary at the time of making the payment, he cannot charge it as allowable deduction.
- ☐ 10% shall be deducted at source on interest income from post office savings deposit.
- ☐ The Director General, Bureau of Manpower, Employment and Training shall collect from the concerned exporter as advance tax on income on account of manpower export at the rate of 10% of the service charge or fees.
- ☐ Tax is collected at the rate of 15% from any sum paid by Real Estate Developer to Land Owner.
- ☐ For resident individual assessee TDS rate is 10% on dividend if he has TIN.
- ☐ The person responsible for paying any amount on account of winnings of lottery shall, at the time of making such payment, deduct tax @ 20%.
- ☐ If a person fails to deduct taxes at sources who is empowered to do so or if he fails to deposit the deducted amount to the exchequer within the prescribed time, he would be treated as an assessee in default and would be personally liable for the non-payment.
- ☐ The deducting authority shall deposit the tax deducted at source as per the provision of Rule 8.

MULTIPLE CHOICE QUESTIONS

- What is the rate of TDS at the time of Trade License Renewal in a Poursava?
 - Tk. 3,000
 - Tk. 2,000
 - Tk. 1,000
 - Tk. 500
- When the tax deducting authority is required to deposit the sum deducted as TDS into the national exchequer in case of deduction or collection made in the month of September?
 - Within 3 weeks
 - Within 1 month
 - Within 2 weeks
 - In 4 equal installment
- What is the advance tax amount for a Double Decker Bus?
 - Nil
 - Tk. 11,500
 - Tk. 16,000
 - Tk. 24,000
- If the insurance commission amounts to taka 60,000, how much will be deducted as tax at source?
 - Nil
 - Tk. 1,500
 - Tk. 1,800
 - Tk. 3,000
- What is the amount of tax for a brick manufacturer having 130,000 cubic feet brickfield?
 - Nil
 - Tk. 80,000
 - Tk. 220,000
 - Tk. 160,000
- What is the rate of TDS for interest on security?
 - 5%
 - 10%
 - 15%
 - 20%
- Which of the following source of income does not qualify for TDS?

- Income from Salary
 - Income from Interest on Security
 - Income from House Property
 - Income from Agriculture
- What is the rate of TDS for export cash subsidy?
 - 5%
 - 10%
 - 15%
 - 20%
 - What is the rate of TDS for any payment made to a contractor for Tk. 25,00,000?
 - Nil
 - 3%
 - 4%
 - 5%
 - What is the rate of TDS for house property?
 - Nil
 - 2.50%
 - 4%
 - 5%
 - What is the consequence of failure to deduct tax or failure to deposit the money to the government treasury within the specified time?
 - No consequences
 - Payment of due tax
 - Payment of due tax with a penalty of 2% interest for the period in default
 - Giving penalty of 2% only

TRUE (T) OR FALSE (F) IDENTIFICATION

- For advisory or consultancy service where base amount does not exceed Tk. 25 lakh, the rate of TDS is 10%.
- For manufacture of cigarettes TDS rate is 6% of banderols value.
- The deduction from shipping business U/s 132 shall be treated as minimum tax liability.
- TDS is not applicable on the remuneration of actors/actresses less than Tk. 10,000.
- No TDS is applicable on prize money of a lottery.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ12.1 What do you mean by tax deducted at source (TDS)? Is there any difference between tax deducted at source (TDS) and withholding tax (WT)?
- DQ12.2 "TDS is no good for both the government and the assessee" – do you agree? Explain.
- DQ12.3 What are the provisions applicable for TDS on Salary U/s 86?
- DQ12.4 What are the consequences of failure to deduct tax or failure to deposit tax timely?
- DQ12.5 Who is required to issue certificate of deduction and when?
- DQ12.6 Who is required to deposit the amount of tax collected at source to the government treasury?
- DQ12.7 What do you understand by minimum tax liability? Discuss in the light of section 163 of I.T. Act, 2023.
- DQ12.8 Write short note on: ☐ Income subject to TDS ☐ Section 89 and Rule 3. ☐ TDS on transfer of property ☐ Minimum tax liability

PROBLEM CASES (PC)

PC12.1: Assume that Mr. X expects to receive the following income from his employer as per the terms of employment that he should report under the head “income from employment” during the year ending on June 30, 2024.

- ☐ Basic salary – Tk. 30000 p. m.
- ☐ Dearness allowance – 15% of basic salary.
- ☐ Bonus – 2 month’s basic salary.
- ☐ House rent allowance – Tk. 18000 p.m.
- ☐ Medical expense reimbursed – Tk. 18000 for the year.
- ☐ Employer’s contribution to recognized provident fund – 10% of basic salary (own subscription is also same).

Also assume that he will not claim any credit for investment. Compute the average tax rate for Mr. X to deduct tax at sources from his salary income.

PC12.2: Assume that XYZ Co. Ltd. have the following payments to its single supplier for supply of goods. Compute the amount of TDS in the respective income years.

<input type="checkbox"/> First installment	on 1st July, 2023	Tk. 100,000
<input type="checkbox"/> Second installment	on 1st October, 2023	Tk. 400,000
<input type="checkbox"/> Third installment	on 1st January, 2024	Tk. 500,000
<input type="checkbox"/> Fourth installment	on 1st April, 2024	Tk. 700,000
<input type="checkbox"/> Fifth installment	on 1st July, 2024	Tk. 300,000
<input type="checkbox"/> Final installment	on 1st October, 2024	Tk. 700,000

PC12.3: Trade International Limited is engaged in trading business of consumable goods. During the income year ended on June 30, 2024, the company procured goods for commercial purposes from both home and abroad:

On July 2023:
purchased (home) Tk. 2,000,000 and imported at C & F value C\$500,000.

On October 2023:
purchased (home) Tk. 3,000,000 and imported at C & F value C\$400,000.

Rate of exchange on July and October was C\$1 = Tk. 68 and C\$1 = Tk. 70 respectively. Assume that import duty @ 20% and supplementary duty @ 40% was paid at import stage. VAT and advance income tax (AIT) were also imposed at applicable rates at import stage. Custom’s assessed value for goods imported in July 2023 and October 2023 was C\$ 600,000 and C\$ 500,000 respectively.

All the imported goods were sold to one special customer. But goods purchased locally were sold to five different customers – A, B, C, D and E as follows:

Chapter – 12 Deduction of Taxes

	Sales to Customer (in Tk.)				
	A	B	C	D	E
July 10, 2023	200,000	150,000	300,000	80,000	45,00,000
October 24, 2023	400,000	400,000	300,000	700,000	500,000
November 28, 2023	500,000	500,000	400,000	400,000	400,000
Total	1,100,000	1,050,000	1,000,000	1,180,000	54,00,000

From the above you are required to –

- ☐ Calculate advance income tax (AIT), supplementary duty (SD) and value added tax (VAT) suffered by Trade International Limited at import stage.
- ☐ Calculate advance income tax deducted at source by each customer.

ANSWERS

MULTIPLE CHOICE QUESTIONS

										TRUE/FALSE				
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
d	c	c	d	d	a	d	b	d	c	T	F	T	F	F

SELF – REVIEW 12.1

- ☐ TDS is the abbreviation of Tax Deducted at Sources that means at the time of payment of any money by one assessee to another, the paying authority will act as an agent of the government and deduct tax at the rates as specified to deposit the same to the government.
- ☐ The paying authority will deduct tax from the assessee to whom such income will be flowed and will be taxable in his hand.
- ☐ It is advantageous to both the government and the assessee.

SELF – REVIEW 12.2

<input type="checkbox"/> Salary	: Average rate
<input type="checkbox"/> Interest on securities	: 5%
<input type="checkbox"/> Clearing and forwarding agents	: 10%
<input type="checkbox"/> Commission to Foreign buyer’s agent	: 15%
<input type="checkbox"/> Sale of goods or property by public auction	: 10%

13

Advance Income Tax

"What the government gives it must first take away."

— John S. Coleman

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

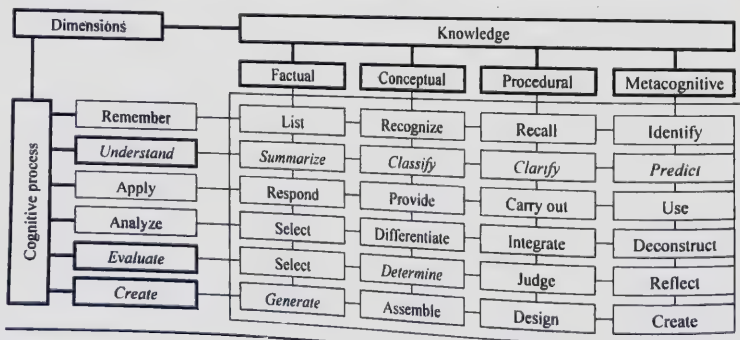
- CLO 13.1 understand the concept of advance income tax
- CLO 13.2 compute advance income tax
- CLO 13.3 clarify the payment process of advance income tax
- CLO 13.4 explain the consequence of advance income tax payment
- CLO 13.5 determine the effects of failure to pay advance income tax
- CLO 13.6 explain payment of tax on the basis of return
- CLO 13.7 generate advance income tax matrix

KEY TERMS

Advance Income Tax, Old taxpayer, New taxpayer, Installment, Own Estimate Excess/Deficit, Interest, Credit of Advance Tax, Return, PAYE

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



13.1

CLO
13.1

INTRODUCTION

Income Tax discipline lies on the basic principle that tax will be paid on income. So, it is customary that as an assessee, I have to earn first and only then I will be eligible to pay tax. So, income (difference between revenue and expenses) of an income year is assessed in the assessment year to calculate the taxable income on which tax is supposed to be paid. And that's why government needs to wait at least a year for taxing people. But, in almost every country of the world, law provides payment of tax within the year in installments. In taxation classic it is known as "PAYE" (pay as you earn). Otherwise, government may face problems to continue its fiscal mechanism.

On the other hand, assessee will also face problems to pay huge amount of tax at a time after spending all his income. Because, once income generates to the hand of the assessee, it becomes disposable, and government has no mechanism to motivate the people to save for the government. Thus, due to advance payment of tax, government realizes time value of money and assessee realizes flexibility. The benefits of AIT are mostly covered in the chapter "Tax Deducted at Sources." For the deducting authority, it is tax collected or deducted at source, but for the assessee, from whose income such tax is deducted, it is advance payment of tax. Sections 152 to 162 of Income Tax Act 2023 deal with advance payment of taxes.

13.2

CLO
13.1

WHO IS LIABLE TO PAY ADVANCE TAX?

Both old and new taxpayers may be liable to pay advance tax upon the fulfillment of the following conditions:

For old taxpayer (Section 154): If the total income of the assessee for the latest income year exceeds taka 600,000, he must pay taxes as advance during current year based on his current income, and it will be treated as 'Advance Tax'.

Explanation: Latest assessed income needs more clarification. Let us assume that Mr. X wants to determine the latest assessed income as a base of advance tax for the assessment year 2024-25. His study of various assessment done on previous years reveal that income of 2023-24 is not assessed yet, income of 2022-23 has been assessed on 31st March 2024 and income of 2021-22 has been reassessed on 28 May 2024 due to appeal. In such a case, latest assessed income for Mr. X will be that of the income year 2021-22 for calculating advance tax.

However, no requirement of this section will be applicable if –

- ☐ He earns not more than taka 800,000 from 'income from agriculture' only;
- ☐ His total income includes
 - income from capital gain, or
 - any income of one time in nature which is subject to advance tax during current income year, but it is not expected to be collectible during the year.

For new taxpayer (Section 156): Subject to the conditions of Sec 154(2), if the income of any person is not regularly assessed before, he needs to submit calculations

of his budgeted income and advance taxes thereon with the DCT within June 15 of every year if his total income exceeds taka 600,000 during income year followed by the assessment year. At the same time, he is required to deposit the installment within the dates as specified

13.3

CLO
13.2

COMPUTATION OF ADVANCE TAX

- **For old taxpayer:** The person who has been assessed earlier and now eligible for advance tax as per the provisions has two options in computing advance tax.
 - *As per the latest assessed income [Sec. 155(1)]:* His minimum amount of advance tax will be equal to tax paid on the income assessed for the latest income year reduced by the amount of tax required to be deducted or collected at source, or advance tax paid under Part 7.
 - *As per the estimated income for the year [Sec. 155(5)]:* As the current year's income may not be equal to that of latest assessed income, the assessee may, at any time before the last installment is due, after giving to the Deputy Commissioner of Taxes an estimate of the tax payable by him, pay such estimated amount of advance tax, as reduced by the amount, if any, already paid, in equal installments on the due dates of payment.
- **For new taxpayer:** Computation of advance tax payable in case of new taxpayers is based on the estimated total income applied at regular rates as reduced by the amount of tax required to be deducted or collected at source. But such taxpayers shall before the 15th day of June in each financial year, send to the DCT an estimate of his total income and advance tax payable by him.

13.4

CLO
13.3

PAYMENT OF THE INSTALLMENTS OF ADVANCE TAX

Advance tax shall be payable in four equal instalments (each for 25% of the payable amount) on the fifteenth day of September, December, March, and June of the financial year for which the tax is payable.

Dates	15 September	15 December	15 March	15 June
Amount	25%	25%	25%	25%

If any taxpayer fails to pay any installment of part thereof, without affecting the liability of taxpayers mentioned in any other section of ITA 2023, he will pay the next installment of the tax including the amount of unpaid or partially paid installment.



- (a) What is the condition for an old taxpayer to be eligible for payment of advance income tax?
- (b) What is the condition for a new taxpayer to be eligible for payment of advance income tax?

13.5

CLO
13.4

CONSEQUENCES OF EXCESS/DEFICIENCY IN PAYMENT

Any sum, other than a penalty or interest, paid by or recovered from an assessee as advance tax, shall be treated as a payment of tax in respect of the income of the period, which would be the income year and shall be given credit for in the assessment of tax payable by the assessee. But, if the payment made is more or less than the actual amount, a question of interest arises from both sides as follows:

- **Interest payable by government:** If the amount of advance tax paid is more than the amount of tax payable as determined on regular assessment, the Government shall pay simple interest at 10% per annum on such excess payment. Interest will be paid for the period from 1st July of the year of assessment to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is shorter (Sec. 161). Government will only pay interest on such amount if such excess generates for the payment of advance tax based on latest assessed income and not based on the assessee's own estimate.
- **Interest payable by the assessee:** Where, in any financial year, an assessee has paid advance tax based on his own estimate and the advance tax so paid together with the tax deducted at source, if any, is less than 75% of the amount of tax payable by him as determined on regular assessment, the assessee shall pay, in addition to the balance of tax payable by him, simple interest at 10% per annum on the amount by which the tax so paid and deducted falls short of the 75% of the assessed tax. Provided that the rate of interest shall be 50% higher if the return is not filed on or before the Tax Day. The period for calculation of simple interest shall be the period from the 1st July of the year in which the advance tax was paid to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is shorter [Section 162(1) and (2)].

EXHIBIT

13.1

Illustrating Advance Income Tax Computation

The latest assessed income of Mr. X amounts to taka 650,000 (for the income year 2022-23), which is considered as a base of payment of advance tax in the assessment year 2023-24. Meanwhile, the assessment for the income year 2023-24 has been completed on 10th March 2024 and the taxable income for the year amounts to taka 800,000. Now, what should Mr. X do with regard to advance tax? Consider, applicable income tax rate is 20%.

Based on latest assessed income, total advance tax will be Tk. 130,000 (20% of Tk. 650,000). Thus, he has to pay Tk. 32,500 (Tk. 130,000/4) in each installment. Before 10th March, he has already paid Tk. 65,000 in two installments: on 15th September and on 15th December. As on 10th March, the assessment for the income year 2023-24 has been completed, the very definition of latest assessed income changes. Now, Mr. X has to reassess his advance tax liability as per the new assessment and he has to pay the remaining in two equal installments.

Total advance tax payable on newly assessed income (20% on 800,000)	Tk. 160,000
Remaining advance tax to be paid (Tk. 160,000 - Advance tax already paid Tk. 65,000)	Tk. 95,000
Advance tax to be paid in each installment (taka 95,000/2)	Tk. 47,500

Note: Mr. X needs to revise the amount of advance tax payable based on the newly assessed income as assessment was completed before 15th May and divided into two installments as still two installments were left.

Notwithstanding anything contained in Section 162(1) & 162(2), where-

- ☐ tax is paid under section 173 (on the basis of return), or
- ☐ provisional assessment made u/s 185 but regular assessment has not been made,

The simple interest shall be calculated in accordance with the following provisions -

- ☐ up to the date on which tax u/s 173 or as provisionally assessed, was paid;
- ☐ thereafter, such simple interest shall be calculated on the amount by which the tax as so paid falls short of the said 75% of the assessed tax.

But, if the interest amount is reduced because of appeal, revision or reference, the excess interest paid, if any, shall be refunded together with the amount of tax that is refundable [Sec 162(4)].

EXHIBIT

13.2

Cases of Advance Income Tax Payment

Case 1: Mr. X calculated advance tax for the income year 2023-24 as per the latest assessed income of taka 800,000. Regular assessment for the assessment year 2024-25 was completed on June 30, 2025, and income assessed amounts to taka 500,000. Assume applicable tax rate is 20%. Calculate interest payable by the government on excess amount.

Calculation of excess advance tax paid:

Amount of advance tax paid based on latest assessed income (20% of taka 800,000)	Tk. 160,000
Advance tax as per regular assessment (20% of taka 500,000)	Tk. 100,000
Excess of advance tax paid	Tk. 60,000
Interest payable by the government (10% on taka 60,000)	Tk. 6,000

Note: Interest will be paid for 1 year from 1st July 2023 to the date of regular assessment of 30th June 2024.

Case 2: For the assessment year 2024-25, a certain assessee has latest assessed income of taka 1,000,000. But he wants to pay advance tax for the year based on his own estimates that amounts to taka 800,000. Regular tax rate is 40%.

During the year, tax deducted at source was taka 50,000. Regular assessment for the assessment year 2024-25 was completed on February 28, 2024, resulting taka 1,200,000 profit including profit of taka 80,000 from capital gain and taka 220,000 from agricultural income. Amount of excess or shortfall will be: Income eligible to apply advance tax as per regular assessment is taka 900,000 (Tk. 1,200,000 - Tk. 80,000 - Tk. 220,000), excluding capital gain and agricultural income.

Tax liability as per regular assessment (40% of taka 900,000)	Tk. 360,000
Tax paid in the form of tax deducted at sources	Tk. 50,000
Advance tax (40% of taka 800,000 - taka 50,000)	Tk. 270,000
Shortfall/Deficit	Tk. 320,000
	Tk. 40,000

75% test: The deficit or shortfall is required to be tested for charging interest.

75% of tax liability as per regular assessment (75% of taka 360,000)

Tax paid actually	Tk. 270,000
Shortfall/Deficit	Tk. 320,000
	Tk. nil

Here, the assessee is required to pay the shortfall of Tk. 40,000. There is no interest resulting from 75% test.

13.6

CLO
13.5

CONSEQUENCES OF FAILURE TO PAY ADVANCE TAX

Where, an assessee who is required to pay advance tax fails to pay any installment of such tax on the due date, he shall be deemed to be an assessee in default in respect of such installment (U/s - 157). Where, it is found that advance tax has not been paid accordingly, there shall be added to the tax as determined on the basis of regular assessment, simple interest thereon calculated at the rate of 10% and for the period from the 1st July of the year in which the advance tax was paid to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is shorter (U/s 160).

13.7

CLO
13.4

CREDIT OF ADVANCE TAX

Any sum, other than a penalty or interest, paid by or recovered from an assessee as advance tax, shall be treated as a payment of tax in respect of the income of the period which would be the income year for an assessment for the year next following the year in which it was payable and shall be given credit for in the assessment of tax payable by the assessee. (U/s 158).

13.8

CLO
13.4

ADVANCE TAX ON CERTAIN INCOME

A manufacturer of cigarette shall pay advance tax at the rate of three percent (3%) on net sale price in every month. Such advance tax paid shall be adjustable against the quarterly installments of advance tax payable under section 155. In this section, "net sale" shall be A- B, where, A is the gross sale and B is the value added tax and the supplementary duty, if any, on such gross sale (U/s 152).

13.9

CLO
13.4

ADVANCE TAX FOR THE OWNERS OF PVT. MOTOR CAR

Every person owning a private motor car shall be deemed to have an income by which the motor car is maintained and shall pay advance income tax to be collected based on the following rates at the time of registration or renewal of fitness:

Engine Capacity (cc)	Motorcar or Jeep						Micro-bus
	Up to 1,500	1,501 - 2,000	2,001 - 2,500	2,501 - 3,000	3,001 - 3,500	Above 3,500	
Tax (Tk.)	25,000	50,000	75,000	125,000	150,000	200,000	30,000

Here, 1500cc = 75kw, 2000cc = 100kw, and so on (each 500cc = 25kw)

But for having more than one Motorcar/Jeep/Microbus under the single or joint ownership, in addition to above regular amount excess 50% income tax will be applied for second and onwards vehicle. In case of registration or fitness renewal of motor car for more than one-year, advance tax under sub-section 153(2) shall be

collected on or before 30th June in every subsequent year or years following the year in which registration or fitness renewal of motor car has been done. Where any person fails to pay such advance tax, the amount of advance tax payable shall be calculated following the below formula:

$$A + B$$

where -

- A = the amount of advance tax not paid in the previous year or years; and
B = the amount of advance tax payable under sub-section (2) for the year in which an assessee is making the payment.

This provision will not be applicable for vehicles owned by:

- ☐ the government and the local government;
- ☐ a project, programme or activity under the government and the local government;
- ☐ a foreign diplomat, a diplomatic mission in Bangladesh, United Nations and its offices;
- ☐ a development partner of Bangladesh and its affiliated office or offices;
- ☐ an educational institution under the Monthly Payment Order of the Government;
- ☐ a public university;
- ☐ a gazetted war-wounded freedom fighter; or
- ☐ an institution that has obtained a certificate from the Board that advance tax shall not be collected from it.

Where a person pays such advance tax, and the income from regular sources of the person results in a tax liability less than the said income tax, the income of such person shall be deemed to be the amount that results a tax liability equal to the said advance tax. The advance tax paid under this section shall not be refundable [U/s 153(6,7)].

13.10 DELAY INTEREST (U/S - 174)

CLO
13.7

Where an assessee is required to file a return of income for an assessment year under section 166 and fails to file the same before the expiry of the Tax Day, the assessee shall, without prejudice to any other consequences to which he may be liable to, determine and pay as per the formula below:

$$A = B + (B - C) \times D \times 0.02$$

Where,

- A: Total amount of tax payable
B: The total amount of tax the taxpayer would have paid if he had filed the return within the Tax Day, provided that -
 - the tax exempted income shall be included in the total income and shall be taxed at the regular rate; and
 - shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest,

- C: Aggregate of advance tax and tax at source paid by the taxpayer in the said income year.
D: Number of months determined as below,
 - number of months after the Tax Day has passed which maximum 24 months; and
 - any fraction of the month shall also be counted as 1 month.



- (a) In how many installments, AIT is paid?
(b) What are the dates of AIT payment?
(c) What is the base for calculation of AIT?
(d) When the base for calculation of AIT is changed?

13.11 PAYMENT OF ADVANCE TAX ON THE BASIS OF RETURN

CLO
13.6

Every person who is required to file a return under section 166, 172, 175, 191, 193 or 212 shall, on or before the date on which he files the return, pay the amount of the tax payable by him on the basis of such return, or as per provision of section 163(5), whichever is higher, as reduced by the amount of any tax deducted from his income or paid by him in accordance with Part 7 (Section 173). The amount such paid shall be deemed to have been paid towards the sum as may be determined to be payable by him after regular assessment. But the person who fails to pay such tax on such date without reasonable cause shall be deemed to be an assessee in default.

13.12 ADVANCE TAX MATRIX

CLO
13.7

The advance tax matrix is divided into two categories as per the overall discussion: one is for old taxpayer, and another is for new taxpayer.

		Advance tax	Advance tax + TDS \geq 75% of tax determined
Old Taxpayer	Does latest assessed income exceed Tk. 600,000?	Yes: Payable No: Not payable	Yes: No simple interest payable No: Simple interest payable
New Taxpayer	Does total assessed income exceed Tk. 600,000?	Yes: Payable No: No tax due or simple interest payable	Yes: No simple interest payable No: Simple interest payable

SOLVED PRACTICAL CASES (SPC)

SPC
13.1

TAX IMPLICATIONS

Explain tax implications of Mr. Rahman using records of assessment for given years:

Income years	Date of assessment	Total assessed income
2017-18	21 st of February 2019	Tk. 600,000
2018-19	10 th of March 2020	1,500,000
2019-20	30 th of May 2021	1,200,000
2020-21	15 th of February 2022	1,250,000
2021-22	Not yet assessed	N/A

Mr. Rahman, due to the changes of nature of income, wants to pay advance tax based on his own estimate in lieu of latest assessed income. According to his own estimate, total taxable income amounts to Tk. 1,000,000 including Tk. 100,000 from capital gain. He has no income from agriculture. Assessment for the income year 2023-24 has been completed on 28.02.24 and his actual income amounts to taka 1,800,000 excluding capital gain and agricultural income. For the income year 2023-24, his tax deducted at source was Tk. 100,000 and he has paid further tax of Tk. 150,000 on 31.12.23 under section 173. Applicable tax rate for Mr. Rahman is 40%.

Solution

Here, latest assessed income would be Tk. 1,250,000 (IY 2020-21) if advance tax was based on that. But Mr. Rahman paid advance tax based on his own estimate. So, let us first compute the amount of advance tax paid: Estimated income excluding capital gain Tk. 900,000; Amount of advance tax payable (40% of Tk. 900,000) Tk. 360,000; Advance Income Tax to be paid per installment (Tk. 360,000 ÷ 4) Tk. 90,000; Advance tax paid by Mr. Rahman on the date of assessment Tk. 180,000 (Because only two installments are made on 15th September and 15th December respectively).

Let us calculate the amount of shortfall/deficit: Tax liability as per regular assessment (40% of Tk. 1,800,000) Tk. 720,000; Tax paid (TDS Tk. 100,000 + Advance Tk. 180,000) Tk. 280,000; Shortfall/deficit Tk. 440,000. As tax paid u/s 173 is Tk. 150,000, Remaining Liability will Tk. 290,000. So, Mr. Rahman would be required to pay Tk. 290,000 as additional tax.

Now let us use 75% test to decide whether he would be charged interest on the shortfall or not: 75% of tax liability as per regular assessment (75% of Tk. 720,000) Tk. 540,000 and actual tax paid is Tk. 280,000, so, Revised Shortfall/Deficit Tk. 260,000. As tax paid u/s 173 is Tk. 150,000, remaining Liability will be Tk. 110,000. So, Mr. Rahman would be charged interest as per the 75% test for the following time period: On Tk. 110,000; interest will be charged @ 10% for a period from 1st April 2024 to 28th February 2025 whereas on Tk. 150,000; interest will be charged at the same rate but for a period from 1st April 2024 to 31st December 2024. So, total interest payable by Mr. Rahman would be Tk. 21,333.33 $[(110,000 \times 10\% \times 11/12) + (150,000 \times 10\% \times 9/12)]$.

SPC
13.2

INTEREST ON EXCESS TAX PAID

Mr. Jalil computed his advance tax for the income year 2023 - 2024 based on latest regular assessment of Tk. 1,200,000 total income including Tk. 50,000 capital gain and Tk. 150,000 agricultural income. He has paid advance tax accordingly @ 25%. Regular assessment for assessment year 2024 - 2025 was completed on August 31, 2024, and total income assessed was Tk. 1,000,000 where the amount of capital gain and agricultural income were Tk. 75,000 and Tk. 125,000 respectively. Assume, tax rate applicable is 25%. Show the relevant calculations for advance tax.

Solution

Latest assessed income in this case is Tk. 1,000,000 and advance tax was paid based on that. So, let us first compute the amount of advance tax paid.

Estimated income excluding capital gain and agricultural income	Tk. 800,000
Amount of advance tax payable (25% of taka 800,000)	Tk. 200,000
Advance income tax paid (25% of taka 1,000,000)	Tk. 250,000
Excess amount of tax paid by Mr. Jalil	Tk. 50,000

This excess amount of Tk. 50,000 may either be adjusted with the tax liability of the next assessment year or be refunded to him at his option in writing including interest. Mr. Jalil is eligible to receive interest on this excess amount:

Time duration and interest calculation: 2 years and 2 months [1st July of the assessment year 2021-22 to the date of regular assessment i.e., 1st July 2022 to August 31, 2023] As per Section 72, 10% interest will be allowed on the excess amount of tax paid i.e., Tk. 50,000 for maximum two years. So, the amount of interest will be $[Tk. 50,000 \times 10\% \times 2] = Tk. 10,000$.

SPC
13.3

DELAY INTEREST

Mr. Khalilur Rahman is a businessman. During 2023-24 income year, he earned taxable income of Tk. 20,00,000 from regular business, Tk. 15,00,000 from poultry firm, and Tk. 25,00,000 from export business. During the year, he invested Tk. 5,00,000 in savings certificate and Tk. 10,00,000 in stocks of listed companies. During the income year, he paid Tk. 25,000 as advance tax during renewal of fitness of motor car and Tk. 25,000 as TDS against export income. The National Board of Revenue haven't extended the time of submission of return. Mr. Rahman has submitted the income tax return for the year on 30th March 2025 after the expiry of tax day. Calculate the tax liability of Mr. Rahman under Finance Act 2024.

Solution

Under section 174, if a regular taxpayer fails to submit return within tax day, his tax liability and payable will be calculated by following the equation below:

$$A = B + (B - C) \times D \times 0.02$$

Where,

- A: Total amount of tax payable
 B: The total amount of tax the taxpayer would have paid if he had filed the return within the Tax Day, provided that –
- the tax exempted income shall be included in the total income and shall be taxed at the regular rate; and
 - shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge, and simple interest,
- C: Aggregate of advance tax and tax at source paid by the taxpayer in the said income year.
 D: Number of months determined as below.
- number of months after the Tax Day has passed which maximum 24 months; and
 - any fraction of the month shall also be counted as 1 month.

Taxable Income

Income	Amount
Income from business (including export business)	Tk. 45,00,000
Income from agriculture	15,00,000
Total Taxable Income	Tk. 60,00,000

Gross Tax Liability on Taxable Income

On first Tk. 350,000	@ 0%	Tk. 0
On next Tk. 100,000	@ 5%	5,000
On next Tk. 400,000	@ 10%	40,000
On next Tk. 500,000	@ 15%	75,000
On next Tk. 500,000	@ 20%	100,000
On next Tk. 4,150,000	@ 25%	1,037,500
Total		Tk. 1,257,500

- B = Tk. 12,57,500
 C = Tk. 50,000 (AIT Tk. 25,000 + TDS Tk. 25,000)
 D = 4 Months (From December 2024 to March 2025)
 A = $12,57,500 + (12,57,500 - 50,000) \times 4 \times 0.02 = 13,54,100$

Thus, tax payable for Mr. Rahman for 2023-24 income year will be Tk. 13,54,100

OWN ESTIMATE IN ADVANCE TAX

Compute the advance tax (AIT) payable by Mr. Hasan from the following estimated income submitted for the assessment year 2024-25 assuming that he was not previously assessed by way of regular assessment: Income from salary Tk. 320,000; Income from Financial Assets Tk. 50,000; Income from rent Tk. 150,000; Agricultural income Tk. 40,000; Income from business Tk. 70,000; Capital gain Tk. 60,000 and Income from other sources Tk. 130,000. The amount of estimated TDS is Tk. 15,000. What are the consequences of using own estimate in advance tax calculation?

Solution

Total income is Tk. 820,000.

Calculation of Tax liability: On first Tk. 350,000 @ 0% [Tk. 0] + on next Tk. 100,000 @ 5% [Tk. 5,000] + on remaining Tk. 370,000 @ 10% [Tk. 37,000]. Gross tax is Tk. 42,000 less estimated TDS Tk. 15,000 = Total AIT payable Tk. 27,000. This Tk. 27,000 will be paid on a quarterly basis in equal installments @ Tk. 6,750 on 15th September 2023; 15th December 2023; 15th March 2024 and 15th June 2024 respectively.

As we know, in advance tax payment the assessee has two options; pay advance tax based on the latest assessment and if the tax paid falls short of required amount of advance tax payable, he would not be charged for shortfall. But in the case of shortfall of advance tax paid based on own estimate, he would be charged interest at specified rate i.e., @ 10%.

KEY POINTS

- Advance tax is payable by an old assessee on the basis of latest provisional or regular assessment but not under S. 212 (income escaping assessment). Income last assessed must be at least Tk. 600,000.
- Advance tax is based on taxation classic known as "PAYE" (pay as you earn).
- If the total income of the new assessee exceeds Tk. 600,000 he/she is suppose to pay advance income tax.
- Computation of advance tax payable in case of new tax payers is based on the estimated total income applied at regular rates as reduced by the amount of tax required to be deducted or collected at source
- AIT shall be payable in four equal installments on the 15th day of September, December, March, and June of the financial year for which the tax is Payable.
- If the amount of advance tax paid is in excess of the amount of tax payable as determined on regular assessment, the Government shall pay simple interest at 10% per annum on such excess payment.
- If an assessee has paid advance tax but paid (including TDS) less than 75% of the amount of tax payable by him as determined on regular assessment the assessee shall pay simple interest at 10% per annum on the amount by which the tax so paid and deducted falls short of the 75% of the assessed tax.
- If an assessee fails to pay any installment of advance tax on the due date, he shall be deemed to be an assessee in default in respect of such installment.
- Where, it is found that advance tax has not been paid accordingly simple interest @ 10% will be added with tax liability for the period from the 1st July of the year in which the AIT was paid to the date of regular assessment in respect of the income of that year or a period of two years from the said 1st July, whichever is shorter.
- Every person required to file a return on regular basis shall pay advance tax.

MULTIPLE CHOICE QUESTIONS

- To determine advance tax latest assessed income may exclude
 - Income from Salary
 - Interest on Securities
 - Income from House Property
 - Agricultural Income
- When is the new taxpayer required to send his estimate of income and advance tax payable to DT?
 - On 15th June
 - On 15th May
 - Before 15th June
 - Before 15th May
- Advance taxes are paid as per the following schedule:
 - 15th day of September, December, March, and June
 - 15th day of August, November, February, and May
 - 15th day of July, October, January, and April
 - 15th day of June, October, and February
- When interest is payable by the assessee on the shortfall?
 - When total of AIT and TDS becomes less than 75% of tax payable on regular assessment.
 - When total of AIT and TDS becomes more than 75% of tax payable on regular assessment.
 - When advance tax already paid becomes less than 75% of tax payable on regular assessment.
 - When advance tax already paid becomes more than 75% of tax payable on regular assessment.
- In case of new taxpayer the computation of advance tax payable is based on:
 - latest assessed income
 - as per return
 - estimated income
 - as per assessment
- What is the minimum amount that must exceed to pay advance tax for new assessee?
 - Tk. 500,000
 - Tk. 600,000
 - Tk. 150,000
 - Tk. 225,000
- Advance tax is paid in how many equal installments?
 - 4
 - 6
 - 8
 - 10
- If the assessee fails to pay AIT or pay less than 75% tax liability a simple interest will charge @ -
 - 10%
 - 5%
 - 7.50%
 - 10%
- When the assessee paid AIT more than the tax liability, government will pay a simple interest @ -
 - 10%
 - 5%
 - 7.50%
 - 10%
- PAYE refers to
 - Pay as you eligible
 - Pay as you earn
 - Pay and you earn
 - None of the above

TRUE (T) OR FALSE (F) IDENTIFICATION

- Both old and new taxpayers may be eligible for advance tax.
- TDS in every case is considered as advance payment of tax.
- If assessment for a year is completed before 15th of June, it will be considered as latest assessed income.
- If the shortfall originates due to the payment of advance tax as per latest assessed income there will be no interest.
- If advance tax is paid by an old taxpayer on the basis of estimated income, he will not pay any interest on shortfall.

<input type="checkbox"/> T	<input type="checkbox"/> F
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DISCUSSION QUESTIONS (DQ)

- DQ13.1 What do you mean by advance payment of taxes?
- DQ13.2 "Due to advance payment of tax, government realizes time value of money and assessee realizes flexibility" - do you agree? Explain.
- DQ13.3 "Everybody who generates income shall pay advance tax" - do you agree? Explain.
- DQ13.4 How do you compute advance tax for both old and new taxpayers?
- DQ13.5 What is the procedure of paying advance tax?
- DQ13.6 What are the consequences of non-payment, excess payment, and deficit payment of AIT?
- DQ13.7 What do you understand by payment of tax as per return under section 74?
- DQ13.8 Write short note on: ☐ PAYE ☐ Advance tax for new tax payer ☐ Advance tax matrix ☐ Consequence of failure to pay advance tax

PROBLEM CASES (PC)

PC13.1: The latest assessed income of Mr. Piplu amounts to taka 750,000 (for the income year 2021-22), which is considered as a base of payment of advance tax in the assessment year 2024-25. Meanwhile, the assessment for the income year 2022-23 has been completed in 15th July 2023 and the taxable income for the year amounts to taka 800,000. Now, what should Mr. X do with regard to advance tax? Suppose applicable income tax rate is 40%.

PC13.2: Mr. Mia calculated advance tax for the income year 2023-24 as per the latest assessed income of taka 1,000,000. Regular assessment for the assessment year 2024-25 was completed on June 30, 2023 and profit assessed amounts to taka 700,000. Applicable tax rate is 40%. Calculate interest payable by the government on excess amount.

PC13.3: For the assessment year 2024-25, a certain assessee has latest assessed income of taka 1,200,000. But, he wants to pay advance tax for the year on the basis of his own estimates that amounts to taka 1,000,000. Assume, regular tax rate is 40%. During the year, tax deducted at source was taka 90,000. Regular assessment for the assessment year 2024-25 was completed on February 28, 2025 resulting taxable income of taka 1,200,000 excluding income from capital gain and agricultural income. Calculate the amount of excess or shortfall and explain the consequences for the same.

PC13.4: Mrs. Krishna has the following records of assessment for various years. Explain tax implications.

Income years	Date of assessment	Total assessed income
2018-19	18 th March, 2020	Taka 1,000,000

2019-20	25 th February, 2021
2020-21	28 th April, 2022
2021-22	20 th May, 2023
2022-23	Not yet assessed

Taka 1,200,000
Taka 900,000
Taka 1,150,000
N/A

Mrs. Krishna, due to the changes of nature of income, wants to pay advance tax on the basis of her own estimate in lieu of latest assessed income. According to her own estimate, total taxable income amounts to taka 1,000,000 excluding capital gain and agricultural income. Assessment for the income year 2022-23 has been completed on 16th March 2024 and her actual income amounts to taka 1,900,000 including capital gain of taka 100,000 and agricultural income of taka 80,000. For the income year 2022-23, her tax deducted at source was taka 110,000 and she has paid further tax of taka 120,000 on 31st December 2023 U/s - 173. Applicable tax rate for Mrs. Krishna is 40%.

ANSWERS

MULTIPLE CHOICE QUESTIONS										TRUE/FALSE				
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
d	c	a	a	c	b	a	d	d	b	T	T	F	T	F

SELF - REVIEW 13.1

- If the latest assessed income of the assessee exceeds taka 600,000; and he has been assessed by way of either regular or provisional (U/s - 185); he is eligible to pay AIT.
- If the total income of the assessee excluding capital gain and agricultural income for the income year of the following assessment year is likely to exceed taka 600,000; he is eligible to pay AIT.

SELF - REVIEW 13.2

- In 4 equal installments.
- 15th day of September, December, March, and June of the financial year for which the tax is Payable.
- Last assessed income
- If before the 15th May of the year, the assessment of the following year has been completed, then the assessee has to re-compute the amount of AIT on the basis of that income and it should be paid equally in each installment(s) left.

14

Set Off & Carry Forward of Losses

"The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."

— Ronald Reagan

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

CLO 14.1 understand the concept of set off losses

CLO 14.2 understand the concept of carry forward of losses

CLO 14.3 apply set off provisions after carry forward of losses

CLO 14.4 explain the conditions of carry forward of losses

CLO 14.5 explain the concept of unabsorbed depreciation

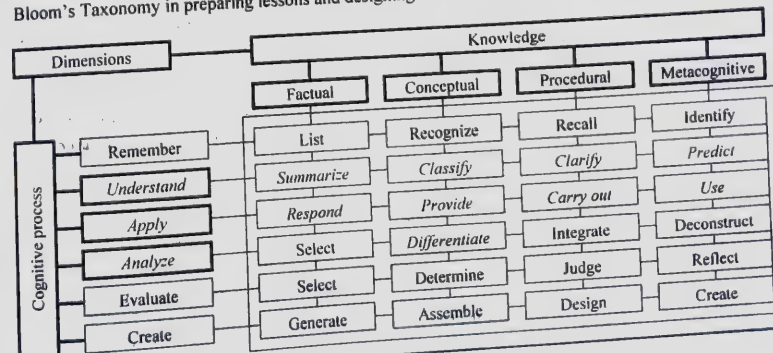
CLO 14.6 differentiate business loss from unabsorbed depreciation

KEY TERMS

Loss, Set Off, Carry Forward, Capital Gain, Unabsorbed depreciation, Association of Persons, Speculation business

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



14.1 INTRODUCTION

CLO
14.1
14.2

Income tax is charged on the head wise aggregated total income of an assessee. A person could have income in one head and loss in another head. If income tax is to be paid on the income, the pertinent question is, what shall be done if a person has a loss in any of the income source? Income Tax Act affords the person to have benefit in the form of reducing aggregated total income by the amount of loss. However, can the loss from one head be aggregated with the income of any other heads? To what extent it may be adjusted against the income of other heads? and what are the consequences, if it could not be fully adjusted in an income year? The Income Tax Act (ITA), 2023 contains certain provisions (Section 70) regarding the set off and carry forward of such kind of losses in a particular manner.

14.2 SET OFF OF LOSSES

CLO
14.1

Adjustment of loss(es) from one source with the income from another source(s) is called set off of losses. Section 70(1) of the ITA, 2023, states, where, in respect of any assessment year, the net result of computation of income under any head is a loss, the assessee shall, subject to some provisions of the Act, be entitled to set off the loss against his income, if any, assessable for that assessment year under any other head.

Example: Mr. Anwar has rental income from rent Tk. 315,000 and losses from Agriculture Tk. 45,000. Now to calculate taxable income, losses from agriculture are allowed to adjust with the rental income. So, taxable income for Mr. Anwar will be Tk. 270,000 (i.e., Tk. 315,000 - Tk. 45,000). Adjustment of agricultural losses with rental income is set off of losses.

Set off Conditions

An assessee is entitled to set off the losses of a head against the income under other heads subject to some conditions as listed below:

- ☐ Loss from the following income heads is only allowed to set off against the income from the same source or head [Section 70(2)].

Loss(es) from	Set off is possible only against income from any other
Capital Loss	Capital Gain
Business (other than speculation and tobacco business)	Business
Speculation Business	Speculation Business
Tobacco Business	Tobacco Business

Income Tax-28(B)

- ☐ No set off of losses is allowed for any loss computed under any source or head of income which is exempted from tax or is subject to reduced tax rate or is subject to minimum tax u/s 163(2). [Section 70(3)]
- ☐ In case of loss sustained by a firm or by an Association of Persons (AOP) under any head can be set off only against the income of the firm/AOP under any other head and not against the income of any of the partners of the firm or of the member of the AOP [Section 70(4)]
- ☐ As per schedule 8 of ITA 2023, a successor-in-Business otherwise than by inheritance cannot against his own income set off any loss incurred by his predecessor in Business [Section 70(6)]

14.3

CLO
14.2

CARRY FORWARD OF LOSSES

When losses under a head is not possible to set off wholly against same year's income from same or some other allowable head(s), it is allowed to transfer such unadjusted amount of losses to next year(s) for set off. This transfer of losses to next year is known as carry forward of losses.

Example: Mr. Anwar has income from rent Tk. 315,000 and losses from agriculture Tk. 345,000. To calculate taxable income, losses from the agriculture are allowed to adjust with the rental income. So, taxable income results a loss of Tk. 30,000 (Tk. 315,000 - Tk. 345,000). Mr. Anwar is allowed to transfer such Tk. 30,000 unadjusted loss to next year. In the next year he can set off this Tk. 30,000 loss following the provisions of set off of losses. Here such transfer of loss is known as carry forward of losses.

As per the provisions of the ITA, 2023, the losses that cannot be set off against income from any other source or head of income, such unadjusted losses can be carried forwarded for the subsequent six years [Section 70(5)].

Carry Forward Conditions

An individual assessee is entitled to carry forward losses up to a certain period if such loss(es) is not possible to set off wholly in a particular assessment year. The conditions of carrying forward of losses by an individual assessee are as follows:

- ☐ Losses generated under any head can be carry forwarded up to a period of six subsequent years [Section 70(5)].
- ☐ Carry forwarded loss(es) can be set off against income of the subsequent year(s) only by applying the conditions stated for set off of losses in the earlier section, e.g., any carry forwarded loss from business (other than speculation business and tobacco business) and capital gain shall be set off against subsequent year's income generated from the same head. For speculation and tobacco business losses, it shall adjust after carrying forward against the income from the same source.
- ☐ A successor-in-Business otherwise than by inheritance cannot claim to carry forward the loss incurred by his predecessor-in-Business [Section 70(6)]

EXHIBIT

14.1

Set Off Provisions for Different Income Heads

Losses under the heads	Set off is possible against income
Income from Employment	generally, loss is not generated
Income from Rent	from any head
Agricultural income	from any head
Income from business	from the head "Income from Business"; but if the loss is from speculation business, it can only be set off against income of any other speculation businesses. Similarly, if the loss is from tobacco business, it can only be set off against income of any other tobacco businesses.
Capital gain	under the head "Capital gain"
Income from financial assets	generally, loss is not generated
Income from other sources	generally, loss is not generated



Income from employment for Mr. Habib for the year ended 30th June 2024 is Tk. 440,000. In the said year he has a loss of Tk. 25,000 from his fish business. In the last year he also had some loss from fish business and he carried forward Tk. 17,000 to this year. But in the current year his garments business generated a profit of Tk. 40,000. Calculate taxable income for Mr. Habib for the income year ended 30th June, 2024 and also state how much loss he should carry forward to next year.

14.4

CLO
14.3
14.4

SPECULATION BUSINESS

According to Section 2(57) of the ITA, 2023 "speculation-business" means business in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity, but does not include business in which—

- a contract of appropriate distribution or supply of raw materials or merchandise is made for the purpose of receiving price assurance at the time of producing raw materials or merchandise that could guard against loss through future price fluctuations
- a contract of stocks and shares is entered into by a dealer or investor therein to guard against loss in his holdings of stocks and share through price fluctuations; and
- a contract is entered into by a member of a forward market or a stock exchange in the course of any transaction in the nature of jobbing or arbitrage to guard against loss which may arise in the ordinary course of his business;

It is to be noted that the investment in any securities and trading of securities in any stock exchange shall not be considered as speculation business.

EXHIBIT

14.2

Illustrating Business Losses

Case 1: Mr. Peter furnishes his income under different heads for the income years 2022 - 2023 and 2023 - 2024 as: Salary income Tk. 105,000 and 105,000; income from rice business Tk. (125,000) and 170,000; income from tobacco business Tk. 25,000 and (20,000); income from capital gain Tk. 15,000 during the year 2022 - 2023.

In the income year 2022 - 2023, Mr. Peter cannot set off his rice business loss with salary income and capital gain. However, he can set it off against income from (speculation) business and carry forward unadjusted figure to next year to set off only against income from business. On the other hand, in the next year (2023 - 2024), he shall show only Tk. 70,000 income from business after setting off of previous year's loss which was carry forwarded to this year. But if in the year 2023 - 2024 no income from business was reported, he can't set off Tk. 100,000 loss with any income computed under any other heads in this year.

	2022 - 2023	2023 - 2024
Income from employment	Tk. 105,000	Tk. 105,000
Income from business:		
Tobacco business	Tk. 25,000	Tk. (20,000)
Carry forward	25,000	(20,000)
	70,000	-
Rice business	(125,000)	170,000
Carry forward	100,000	-
Set off previous loss	-	(100,000)
	-	70,000
Income from Capital Gain	15,000	-
Total	Tk. 120,000	Tk. 175,000

Case 2: Income of Mr. Peter for the income year 2022 - 2023 and 2023 - 2024 includes: Salary income Tk. 105,000 & Tk. 105,000; income from speculation business Tk. 10,000 & Tk. 70,000. Besides in 2022 - 2023, he had a loss from another speculation business Tk. 30,000 and capital gain Tk. 15,000. In the income year 2022 - 2023 Mr. Peter can set off his speculation business loss only by Tk. 10,000 as he has income from other speculation business. He is allowed to carry forward unadjusted speculation business loss to next year. Thus, in 2023 - 2024, he showed only Tk. 50,000 income from speculation business.

	2022 - 2023	2023 - 2024
Income from employment	Tk. 105,000	Tk. 105,000
Losses from speculation business I	Tk. (30,000)	Tk. -
Income from speculation business II	10,000	70,000
Less: set off previous year's loss	-	20,000
	Tk. (20,000)	50,000
Carry forward	20,000	-
Capital gain	15,000	-
Total income	Tk. 120,000	Tk. 155,000



Mr. Hannan states his income in 2022 - 2023 and 2023 - 2024 as: Income from employment Tk. 200,000 and Tk. 200,000; losses from speculation business - 1 Tk. 35,000 and 15,000; income from speculation business - 2 Tk. 20,000 and Tk. 44,000. In 2022 - 2023, his capital gain was Tk. 22,000. Calculate taxable income for Mr. Hannan for both the income years.

EXHIBIT

14.3

Illustrating Losses from Capital Gain

Mr. Peter furnishes his income under different heads for the income year 2022 – 2023 and 2023 – 2024 as: Income from rice business Tk. 25,000 and Tk. 105,000; Income from agriculture Tk. (50,000) and Tk. 5,000 and Income from Capital Gain Tk. 15,000 and Tk. (12,000). Taxable income of Mr. Peter for the years should be:

	2022 – 2023	2023 – 2024
Income from rice business	25,000	105,000
Income from agriculture	(50,000)	5,000
Capital gain	15,000	(12,000)
Carry forward	-	12,000
Total	(10,000)	110,000
Carry forward	10,000	-
Set off previous loss	-	(10,000)
Total Income	-	100,000

Note. Any loss from the sources other than Capital gain and Business (including speculation and tobacco business), can be adjusted for set off against the total income from all the heads. Adjustment of Agricultural loss thus reported after total income whereas, loss under the head capital gain is adjusted when the income of the head is computed.



Mr. Hamid's income from business is Tk. 450,000 and capital gain is Tk. (18,000). Identify how much loss Mr. Hamid can set off and can carry forward to next year? If Mr. Hamid has another capital gain of Tk. 14,000 in the same year what will be your answer?

14.5

CLO
14.5

UNABSORBED DEPRECIATION

Where business shows a loss after charging depreciation expense, such charge is only allowed so much that will not show any loss. Unabsorbed depreciation is the portion of allowable depreciation expense that results negative profit in the business. For instance, allowable depreciation expense for tax purpose of a business is Tk. 45,000 and the profit before deducting the depreciation expense is Tk. 30,000. The business could deduct at best Tk. 30,000 depreciation expense to reach zero profit. Here, the remaining allowable depreciation expense, i.e., Tk. 15,000, is the unabsorbed depreciation.

According to Section 71(1) of the ITA, 2023, if it is not possible to charge allowable depreciation wholly against gross income of an assessment year, the unabsorbed portion shall be added with the depreciation of the next year. However, no such carry forward of unabsorbed depreciation is allowed if the depreciation allowance is disallowed for noncompliance of any provisions of this Act [Section 71(2)]. Key features of unabsorbed depreciation are:

Chapter – 14 Set Off & Carry Forward of Losses

- Because of allowable depreciation allowance, one cannot show negative profit in his/her business.
- Unabsorbed allowable depreciation shall increase depreciation of subsequent year(s) or if there is no such allowance for depreciation for that year, the carry forwarded portion will consider as allowance for that year and so on for succeeding years [Section 71(1)];
- Carry forward is not permitted if depreciation allowance is disallowed for noncompliance of any provisions of this Act [Section 71(2)];
- Carry forwarded business loss shall be adjusted before charging any carry forwarded unabsorbed depreciation allowance [Section 71(3)];
- Unabsorbed allowable depreciation allowance can be carry forwarded until the whole such depreciation is adjusted [Section 71(4)];
- In a scheme of amalgamation, the amalgamated company shall have the right to carry forward the accumulated loss and the unabsorbed depreciation of the amalgamating company as if they are of the amalgamated company in the income year in which the amalgamation took place [Schedule 8, Part 1(3)].

Example: Consider the following situations for three different companies relating to depreciation allowance:

	Company X	Company Y	Company Z
Profit before depreciation	Tk. (30,000)	Tk. 40,000	Tk. 50,000
Allowance for depreciation	45,000	45,000	45,000
Profit after depreciation	(75,000)	(5,000)	5,000

Here, X Company is not allowed to charge depreciation allowance which results an increase in the loss figure. But it is allowed to show this depreciation allowance in full in the next year (if enough profit is available) in addition to depreciation allowance applicable for next year. Y Company can show only Tk. 40,000 as depreciation allowance because profit before depreciation for Y Company is Tk. 40,000. But Y Company can show unabsorbed depreciation of Tk. 5,000 in next year (if enough profit is available) in addition to depreciation allowance applicable for next year. Z Company can charge all depreciation allowance because it will not result a loss for the company. So, the ultimate result will be as follows:

	X	Y	Z
Profit before depreciation	Tk. (30,000)	Tk. 40,000	Tk. 50,000
Allowance for depreciation		40,000	45,000
Tax payable income	(30,000)		5,000
Unabsorbed depreciation carried forward	45,000	5,000	

14.6

CLO
14.6

BUSINESS LOSS & UNABSORBED DEPRECIATION

Loss can be a business loss i.e., trading, manufacturing or agricultural and because of allowable depreciation on fixed assets used in business, profession or agriculture. In broader sense, loss includes depreciation too where a separation thereof does not make any business sense, but for taxation purpose, the distinction is important because of the following:

- ☐ Unabsorbed depreciation can be carry forwarded without any time limit where as other loss can be carry forwarded for six years
- ☐ The unabsorbed depreciation as such forming a part of subsequent year's income can be set off against any income under any head in the same year.
- ☐ The unabsorbed depreciation is deemed part of the depreciation allowance for a subsequent year and will enter into the income of such subsequent year. Carried forward loss does not enter into such computation, and is deducted from the subsequent year's income

SOLVED PRACTICAL CASES (SPC)

SPC
14.1

LOSSES FROM AGRICULTURE, BUSINESS, CAPITAL GAIN

Calculate taxable income for the current income year of Mr. Rafi considering income from employment Tk. 200,000; financial assets Tk. 10,000; rent Tk. 45,000; agriculture Tk. (175,000); speculation business Tk. (20,000); other business Tk. (90,000); capital gain Tk. (12,000) and other sources Tk. 80,000.

Assessee: Rafi	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from employment		Tk. 200,000
Income from rent		45,000
Income from agriculture		(175,000)
Income from business: From speculation business		Tk. (20,000)
Carry forward (speculation business losses)		20,000
Other business income		Tk. (90,000)
Carry forward (business losses)		90,000
Income from capital gain		Tk. (12,000)
Carry forward		12,000
Income from financial assets		10,000
Income from other sources		80,000
Total income		Tk. 160,000

SPC
14.2

MULTIPLE YEARS, LOSSES FROM MULTIPLE BUSINESSES

Compute taxable income of Mr. Mahid considering his income from:

	2022 - 2023	2023 - 2024
Income from employment	Tk. 160,000	Tk. 160,000
Agricultural income	(80,000)	120,000
Income from electronics business	(100,000)	50,000
Income from garments business	(50,000)	(15,000)
Income from tobacco business	(20,000)	55,000
Income from speculation business	10,000	(30,000)
Capital gain	(12,000)	10,000
Income from financial assets	40,000	40,000

Assessee: Mahid

Assessment Year:	2023 - 2024	2024 - 2025
Income Year:	2022 - 2023	2023 - 2024
Income from employment	Tk. 160,000	Tk. 160,000
Income from agriculture	(80,000)	120,000
Income from business:		
Electronics business	(100,000)	50,000
Garments business	(50,000)	(15,000)
Tobacco business	(20,000)	55,000
Set off of previous loss	-	(20,000)
Carry forward	20,000	-
	-	35,000
Speculation business	10,000	(30,000)
Carry forward	- 10,000	30,000
	(140,000)	70,000
Set off previous year's loss	-	(140,000)
Carry forward (business loss)	140,000	70,000
Income from Capital Gain	(12,000)	10,000
Set off of previous year's loss	-	(12,000)
Carry forward	12,000	2,000
Income from financial assets		40,000
Total income	Tk. 120,000	Tk. 320,000

SPC
14.3

MULTIPLE YEARS, BUSINESS LOSSES, CARRY FORWARD

Mr. Faisal states sources of income and information for different income year as:

- ☐ 2021 - 2022: Income from rent Tk. 120,000; agriculture Tk. 20,000; electronic business Tk. 10,000; garments business Tk. (80,000); tobacco business Tk. 40,000; and Capital gain Tk. (18,000).
- ☐ 2022 - 2023: Income from - rent Tk. 80,000; agriculture Tk. (100,000); electronic business Tk. 20,000; garments business Tk. (50,000); tobacco business Tk. (30,000); and Capital gain Tk. 8,000.
- ☐ 2023 - 2024: Income from - rent Tk. 120,000; agriculture Tk. 50,000; electronic business Tk. (10,000); garments business Tk. 40,000; tobacco business Tk. 100,000; and Capital gain Tk. 18,000.

He carried forward a loss of Tk. 25,000 from tobacco business from 2020 - 2021 income year to 2021 - 2022 income year. Calculate taxable income for Mr. Faisal.

Assessee: Faisal	Assessment Year: 2022 - 2023	Income Year: 2021 - 2022
Income from rent		Tk. 120,000
Income from agriculture		20,000

Income from business:		
Income from electronics business		Tk. 10,000
Income from garments business		(80,000)
Income from tobacco business	Tk. 40,000	
Set off previous loss (tobacco business loss)	25,000	15,000
		(55,000)
		55,000
Carry forward (business losses)		Tk. (18,000)
Income from Capital Gain		18,000
Carry forward		
Total income		Tk. 140,000

Assessee: Faisal	Assessment Year: 2023 – 2024	Income Year: 2022 – 2023
Income from rent		Tk. 80,000
Income from agriculture		(100,000)
Income from business:		
Income from electronics business		Tk. 20,000
Income from garments business		(50,000)
Income from tobacco business	Tk. (30,000)	
Carry forward (tobacco business loss)	30,000	-
		(30,000)
Carry forward (business losses)		30,000
Income from Capital Gain		Tk. 8,000
Set off previous loss		(18,000)
Carry forward		10,000
Total income		Tk. (20,000)
Carry forward (representing agricultural loss)		20,000
Total income		Tk. -

Assessee: Faisal	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from rent		Tk. 120,000
Income from agriculture		50,000
Set off previous losses (except business & capital gain)		(20,000)
Income from business:		
Income from electronics business		Tk. (10,000)
Income from garments business	Tk. 40,000	
Set off previous losses (55,000 + 30,000)	(85,000)	
Carry forward of loss (business losses)	45,000	-
Income from tobacco business	Tk. 100,000	
Set off previous loss	(30,000)	70,000
Income from Capital Gain		60,000
Set off previous loss	Tk. 18,000	
Total income	10,000	8,000
		Tk. 218,000

UNABSORBED DEPRECIATION

Calculate taxable income of Mr. Arif for the income year 2023 – 2024 considering his income from: employment Tk. 360,000; agriculture Tk. (35,000); revenue from: Garments Business Tk. 40,000, Electronics Business Tk. 30,000, Potato Business Tk. 25,000, and Speculative Business Tk. (8,000). Mr. Arif is the owner of a house property that has an annual value of Tk. 180,000 and was let out for residential purpose and remains vacant for four months period during the year. Admissible expense of the house is Tk. 90,000 except repair and maintenance.

Other information:

- ☐ Mr. Arif received subsidy of Tk. 15,000 from government against losses from agriculture.
- ☐ Expenses relating to the businesses include depreciation and other expenses: for Garments it was Tk. 5,000 and 39,000; for electronics it was Tk. 2,000 and 20,000 respectively; and for potato business, there was no depreciation but other expenses were Tk. 15,000.
- ☐ Unabsorbed depreciation carried forward from previous years total Tk. 5,000 (electronics business).
- ☐ Previous year's losses carried forward to this year includes –

Garments Business	Tk. 3,000	Year of origin (Income year): 2021 – 2022
Electronics Business	4,500	Year of origin (Income year): 2022 – 2023
Potato Business	2,500	Year of origin (Income year): 2016 – 2017
Speculation Business	2,800	Year of origin (Income year): 2022 – 2023

Assessee: Arif	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Income from employment		Tk. 360,000
Income from rent:		
Annual Value		Tk. 180,000
Vacancy allowance		(60,000)
Total rental value		120,000
Less: Admissible expenses: Repair and maintenance	Tk. 45,000	
Other	90,000	135,000
		(15,000)
Income from agriculture		Tk. (35,000)
Less: subsidy received		15,000
		(20,000)
Income from Business:		
General Business (workings)		Tk. 7,000
Speculation Business	Tk. (8,000)	
Carry forward	8,000	-
		7,000
Total Income		Tk. 332,000

Workings: Income from Business

Particulars	Garments	Electronics	Poultry	Total
Revenue	Tk. 40,000	Tk. 30,000	Tk. 25,000	Tk. 95,000
Less: Expenses (Others)	30,000	20,000	15,000	74,000
Profit/loss before allowable depreciation	1,000	10,000	10,000	21,000
Less: Expenses (Depreciation) (note 1)	1,000	2,000	-	3,000
Net Profit	-	8,000	10,000	18,000
Set off previous year's loss (note 2)	-	(4,500)	(3,000)	(7,500)
Set off previous unabsorbed depreciation (note 3)	-	(3,500)	-	(3,500)
Income from business	Tk. -	Tk. -	Tk. 7,000	Tk. 7,000
Unabsorbed depreciation	Tk. 4,000	Tk. 1,500	Tk. -	Tk. 5,500

Note: (1) Depreciation for garments business can be adjusted only by Tk. 1,000 to avoid negative profit. The unadjusted portion of the depreciation, i.e., Tk. 4,000, shall be carried forward to next year(s). (2) Previous business loss can be set off against income from any business; thus, the previous loss of the garments business is adjusted against income from poultry business. Previous loss from potato business however cannot be adjusted (set off) as the carry forward of losses is allowed up to six successive assessment years. (3) Previous unabsorbed depreciation shall be adjusted after setting off previous losses; thus, previous unabsorbed depreciation of electronics business shall be adjusted in the current year only by Tk. 3,500; the remaining shall be carried forward to next year.

SPC
14.5

INCOME FROM MULTIPLE BUSINESS: INCOME UNDER REDUCED RATE

Mr. Rana discloses the following incomes from business for the Income Year 2023 - 2024: Profit from Speculation business A Tk. 560,000; Loss from X business Tk. (320,000); Loss from Y business Tk. (170,000); Profit from Z business Tk. 20,000. The two-year-old business has been purchased from the previous owner Mr. Sohel. Before purchase, the business had a loss of Tk. 20,000 in the income year 2022 - 2023. Mr. Rana also reported a loss of Tk. 25,000 from poultry firm for the income year 2023 - 2024. Calculate taxable income of Mr. Rana for the income year 2023 - 2024 under the head "Income from Business".

Assessee: Rana	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from Agriculture (poultry firm) (note 1)		Tk. (25,000)
Loss disallowed for set off (as 2023)		25,000
Profit from speculation business A		560,000
Loss from X business		(320,000)
Loss from Y business		(170,000)
Profit from Z business		20,000
Total income from business		Tk. 90,000

Note: (1) Set off is allowed for income under reduced rate, e.g., income from poultry firm. (2) Loss from potato business can be set off against incomes from other heads. The previous loss of acquired business cannot be set off by the new owner's 2024.

EXHIBIT

14.4

Summary Table

Sources of Income	Set off of losses (with income from)	Carry forward	Set Off after carry forward
Employment	Not applicable	Not applicable	Not applicable
Rental Income	any source		
Agriculture	any source		
Business		Possible for next six successive assessment years	Same as Regular set off of losses (as in column 2 of this table)
Speculation	speculation business		
Tobacco	tobacco business		
Others	any business		
Capital Gain	capital gain		
Financial assets	any source		
Other sources	Not applicable	Not applicable	Not applicable

KEY POINTS

- ☐ Losses from one head are allowed to adjust with income from other head(s).
- ☐ It will reduce total taxable income.
- ☐ Set off is not applicable for Income from employment and other sources.
- ☐ Losses from Speculation tobacco business cannot be set off against income from any other head(s) but can be set off only against income from some other speculation tobacco business.
- ☐ Losses from business other than speculation tobacco, can be set off only against the income under the head "Income from Business".
- ☐ Losses from Capital gain cannot be set off against income from any other head(s) but can be adjusted only against some other capital gain.
- ☐ When set off of losses are not completely possible against same year's income from other allowable heads, it is allowed to transfer such amount of losses to next year for set off.
- ☐ Carry forward of losses is possible for maximum six successive assessment years.
- ☐ Depreciation allowance is not possible to charge against profit if it results a loss, but can charge up to that much which does not result any loss for the business.
- ☐ Unabsorbed depreciation can be carried forward for unlimited time period.

MULTIPLE CHOICE QUESTIONS

- In the year of loss, set off of losses is possible for any head except –
(a) income from agriculture (b) income from business
(c) income from salary (d) income from capital gain
- Carry forward of losses is possible to next –
(a) five successive assessment years (b) six successive assessment years
(c) next assessment year only (d) none of these
- If you have losses from garments business, you can set it off in the year of loss against income from –
(a) any other heads (b) any other business only
(c) any other garments business only (d) none of these
- Losses from capital gain can be carried forward by the amount –
(a) of five thousand (b) exceeding five thousand
(c) of losses (d) zero
- Losses from speculation business can be set off against income from –
(a) any other heads (b) any other business only
(c) any other speculation business only (d) none of these
- Losses from the head capital gain can be set off against income from –
(a) any other heads (b) any other capital gain only
(c) any other head except speculation business (d) none of these
- After carry forward, agricultural losses can be set off against income from –
(a) any other heads (b) any other head except capital gain
(c) agricultural income only (d) same agricultural product
- After carry forward, losses from business or profession can be set off against income from –
(a) same business only (b) any business only
(c) any heads (d) any heads except capital gain
- Where the assessee is the partner of a firm he/she can –
(a) carry forward or set off firm losses against his/her own income
(b) carry forward firm losses to set off against his/her own income in next year
(c) set off firm losses against his/her income
(d) do nothing to set off or carry forward firm's losses against his/her own income.
- Unabsorbed depreciation can be carried forward for –
(a) next six successive years (b) next year only
(c) unlimited years (d) none of these

TRUE (T) OR FALSE (F) IDENTIFICATION

- If set off is possible in the year of loss, you may carry forward the loss to next year.
- Income from speculation business can be used to set off losses from other sources except losses from capital gain.
- Cash subsidy received from government will reduce amount of losses.
- Income from capital gain can be used to set off losses resulted from any other sources.
- Losses of any partnership firm can set off against income of any of the partners.

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DISCUSSION QUESTIONS (DQ)

- DQ14.1 Define set off and Carry forward of losses according to the Income Tax Act, 2023.
- DQ14.2 Explain the provisions for losses under the head "Income from Business".
- DQ14.3 "Set off and Carry forward of losses is not possible for any losses arising under the head capital gain" – do you agree? Explain.
- DQ14.4 Explain the provisions regarding losses arising under the head income from agriculture.
- DQ14.5 State the similarities and differences between carry forward of business losses and carry forward of loss from speculation business.
- DQ14.6 State the conditions and limitations of carry forward of losses.
- DQ14.7 What is unabsorbed depreciation? What are the provisions of carry forward in this regard?
- DQ14.8 Write short note on: ☐ Set off of losses ☐ Unabsorbed depreciation ☐ Speculation business ☐ Carry forward of losses

PROBLEM CASES (PC)

PC14.1: Calculate taxable income of Mr. Anik who is an accountant for the income year ended 30th June 2024 considering his income from: salary Tk. 360,000; financial assets Tk. 20,000; rent Tk. 50,000; sole proprietorship business Tk. 200,000; speculative business Tk. (30,000); tobacco business Tk. 18,000; garments business Tk. (30,000); and agriculture Tk. 25,000.

PC14.2: Considering given information calculate taxable income for Mr. Alok for the year ended 30th June 2024: Income from – employment Tk. 200,000; financial assets Tk. 30,000; garments business Tk. (25,000); speculation business Tk. 15,000; capital gain Tk. (9,000). Mr. Alok carried forward losses of garments business Tk. 7,000 from last year.

PC14.3: Considering given information calculate taxable income for Mr. Hasan for the income year ended 30th June 2024: Income from salary Tk. 240,000; Annual rent received from house property Tk. 120,000; Profit from fisheries Tk. 78,000; Losses from poultry firm Tk. 22,000; Losses from electronics business Tk. 200,000; Profit from speculation business Tk. 50,000; Losses from tobacco business, Capital gain Tk. 17,000; and Interest from savings account Tk. 9,000.

PC14.4: Calculate taxable income for Mr. Shamol considering following income for different years.

	2021 – 2022	2022 – 2023	2023 – 2024
Income from financial assets	12,000	12,000	12,000
Income from rent	1,20,000	1,40,000	160,000
Income from agriculture	(135,000)	(20,000)	40,000
Income from capital gain	(25,000)	22,000	-

PC14.5: From the following particulars of Mr. Alam compute taxable income for the income years:

	2022 - 2023	2023 - 2024
	Tk. 256,000	Tk. 268,000
Income from employment	40,000	40,000
Income from financial assets	(80,000)	120,000
Income from agriculture	(130,000)	50,000
Income from electronics business	(50,000)	15,000
Income from garments business	10,000	(30,000)
Income from tobacco business	(12,000)	10,000
Income from capital gain		

Mr. Alam received Tk. 10,000 cash subsidy from government against losses incurred in agricultural sector in the year 2022 - 2023. He has unabsorbed depreciation of Tk. 3,000 in electronics business and Tk. 10,000 in garments business which he carried forward to year 2023 - 2024.

PC14.6: From the following particulars of Mr. Elahi Boksh compute taxable income for the income years:

	2021 - 2022	2022 - 2023	2023 - 2024
Income from agriculture	Tk. 55,000	Tk. 40,000	Tk. (62,000)
Income from electronics business	(80,000)	20,000	25,000
Income from garments business	15,000	21,000	17,000
Income from speculation business	8,000	(11,000)	35,000
Income from capital gain	(4,000)	(7,000)	17,000

Mr. Elahi Boksh carried speculation business losses of Tk. 20,000 and electronics business losses of Tk. 12,000 from the income year 2017 - 2018.

PC14.7: Mr. David discloses the following incomes from business for the Income Year 2023 - 2024:

- ☐ Profit from Speculation business A Tk. 360,000;
- ☐ Loss from X business Tk. (120,000);
- ☐ Loss from Y business Tk. (70,000);
- ☐ Loss from Z business Tk. (20,000)
- ☐ Share of profit from partnership firm Tk. 15,000 (The partnership firm had a loss of Tk. 10,000 in the income year 2022 - 2023).

The Z Business is the two-year-old business that has been purchased from the previous owner Mr. Rabbi. Before purchase the business had a loss of Tk. 20,000 in the income year 2022 - 2023.

Calculate taxable income of Mr. Rana for the income year 2023 - 2024.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10		1	2	3	4	5
c	b	b	c	c	b	a	b	d	c		F	T	T	F	F

TRUE/FALSE

SELF - REVIEW 14.1

Income from employment	Tk. 440,000
Income from Business:	
Income from garments business	Tk. 40,000
Losses from fish business (current year)	(25,000)
Losses from fish business (last year)	(17,000)
	(2,000)
Carry forward	2,000

Taxable income at the end of the current year

Tk. 440,000

Mr. Habib can set off both current and previous years business losses against the head 'Income from Business'. However, if the loss is not wholly so set off, he shall carry forward the unadjusted loss to the next year(s). He is not allowed to set off business losses against income from any other income head.

SELF - REVIEW 14.2

	2022 - 2023	2023 - 2024
Income from employment	Tk. 200,000	Tk. 200,000
Income from business:		
Speculation business - 1	Tk. (35,000)	Tk. (15,000)
Speculation business - 2	20,000	44,000
	(15,000)	29,000
Carry forward last year loss	15,000	(15,000)
		14,000
Income from capital gain	22,000	
Taxable income	Tk. 222,000	Tk. 214,000

SELF - REVIEW 14.3

In this year Mr. Hamid cannot set off any losses because loss from the head capital gain is not possible to set off with income from any other head(s). He needs to carry forward the full loss, i.e., Tk. 18,000.

In the second case Mr. Hamid can carry forward loss of Tk. 4,000 because his losses from the head capital gain after set off is Tk. 4,000 (i.e., 18,000 - 14,000).

15

Return of Income

"Income tax returns are the most imaginative fiction being written today"
— Herman Wouk

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

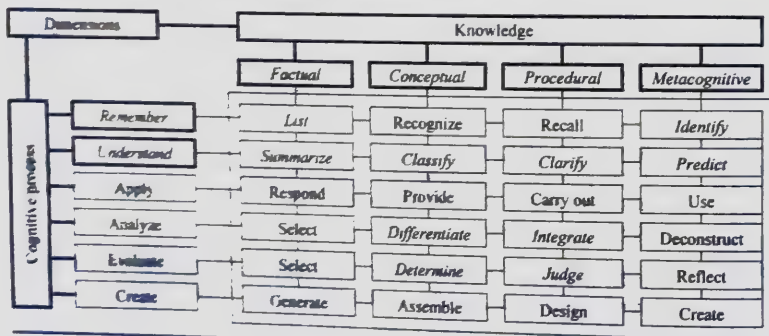
- CLO 15.1 identify the assessee required to file a return of income
- CLO 15.2 understand who is authorized to sign/verify the return
- CLO 15.3 specify the timing of submitting return of income
- CLO 15.4 explain the required document accompanied the return
- CLO 15.5 illustrate the process of filing different forms of return
- CLO 15.6 explain the cause and process of filing revised return
- CLO 15.7 explain the role of DCT in sending notice
- CLO 15.8 list the information required to accompany the return

KEY TERMS

Return of Income, Asset, Liability, and Lifestyle Statement, Withholding tax, Annual Information Return, Notice, Revised Return, Accounts and Documents

Bloom's Taxonomy

This chapter covers (italic) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



15.1

CLO
15.1

WHO IS REQUIRED TO FILE A RETURN?

As per Sec 166(1), every person will file tax return with the DCT for respective income year, if –

- ☐ the total taxable income during the income year exceeded the maximum amount, which is not chargeable to tax under Income Tax Act 2023;

Example: Suppose, if the taxable income exceeds taka 350,000, an individual is required to file a return in the assessment year 2024 – 25. Because Tk. 350,000 is the maximum exemption limit for the assessment year 2024 – 25.

- ☐ any individual was assessed to tax for any one of the three years immediately preceding the income year;
- ☐ such person is a company, shareholder director or shareholding employee of any company, any firm, partner of any firm, any association of persons (AOP), employee holding an executive or director position in any business, any public employee, or any non-resident who possesses any permanent establishment in Bangladesh;
- ☐ such person, except institutions established only for charitable purposes, receives any income during the income year which receives benefits of tax exemption or tax payment at reduced rates under Para 6 of First Chapter of ITA, 2023;
- ☐ any person who is required to get registration as taxpayer under section 261; and
- ☐ such a person is required to furnish proof of submission of tax return under section 264.

15.2

CLO
15.1

PERSON NOT REQUIRED TO SUBMIT RETURN

Submission of tax return of income shall not be mandatory for the following [U/s – 166(2)].

- ☐ Any educational institution which is a primary or pre-primary school or government secondary or higher secondary school teaching in Bangali, or which is a MPO educational institution, and which does not have an English version of the curriculum,
- ☐ Public University,
- ☐ Bangladesh Bank,
- ☐ Local Authorities,
- ☐ Statutory public authority, or jurisdiction, which has no income other than funds and interest income received from the Government,
- ☐ Any entity established or constituted by or under any law for the time being in force which has no income other than funds from the Government,
- ☐ Government Provident Fund and Government Pension Fund,
- ☐ Any non-resident natural person who has no fixed base income in Bangladesh
- ☐ Persons exempted from filing returns by the Board, by notification in the Official Gazette.

EXHIBIT**15.1****Persons Required Filing a Return**

<input type="checkbox"/> Company	Every company
<input type="checkbox"/> Persons other than companies	If income exceeds maximum exemption limit If assessed in any one of the three immediately preceding years Required compliance under sections 261 & 264

15.3**WHO IS AUTHORIZED TO SIGN A RETURN?**CLO
15.2

A return should be duly signed and verified by the respective individuals who hold the rights to do so as per the rules to make it a valid and complete one. A return, which is not signed and verified, is not merely an inaccurate or incomplete return, but it is not a return at all. (*Beharilal Chatterjee V. CIT [1934] I.T.R. 377*)

EXHIBIT**15.2****Persons Authorized to Sign a Return [U/s 169(5)]**

Assessee	Authorized Person
Natural Individual	the individual himself; if absent, the authorized person; if mentally incapacitated, the guardian or any other person competent to act on his behalf;
Hindu undivided family	the Karta, if absent or mentally incapacitated, any other adult member of such family;
Company or local authority	the principal officer thereof;
Firm	any partner thereof, not being a minor;
Any other association	any association member or the principal officer thereof;
Any other person	that person or some person competent to act on his behalf;

15.4**WHAT SHOULD A RETURN ACCOMPANY BY?**CLO
15.4

A return must be prepared in prescribed form (as prescribed by the Board) with required explanation and data and such return should accompany selective schedules, declarations, accounts, annexures and documents [U/s- 169(1)]. A summary of the documents accompanied by the return is given below:

- | | |
|---|--|
| <input type="checkbox"/> Company or persons having income from long term contract [U/s- 169(2)] | Audited financial statements; proof of applying selected standards for verification purpose as prescribed by the board, from time to time; a separate sheet of calculation explaining the difference between income reported in profit |
|---|--|

- ☐ Entities having income from international transaction [U/s- 169(3)]

and loss account and income tax return
A statement related to international transactions prepared under section 238.

- ☐ Non-resident Bangladeshi [U/s- 169(4)]

Proof of payment of tax liability computed and paid based on return to be submitted with the Mission of Bangladesh nearby

15.5CLO
15.3**WHEN TO FILE A RETURN UNDER SAS?**

Persons who are legally required to file return under section 166, shall file return under section 180 under the self-assessment scheme (SAS) [Section 170]. The Income Tax Return must be submitted on or before Tax Day and such a return shall be submitted upon payment of income tax u/s 173. In case of filing of return after Tax Day, return shall be filed upon payment of income tax as U/s 174 (Section - 171). As specified in Section 2(23) of the ITA, 2023. "Tax Day" means -

- ☐ in the case of an assessee other than a company, the thirtieth day of November following the end of the income year;
- ☐ in the case of a company, the 15th day of the seventh month following the end of the income year; or the 15th day of September following the end of the income year where the said fifteenth day falls before the fifteenth day of September.
- ☐ the next working day following the Tax Day if the day mentioned above is a public holiday;

15.6CLO
15.5
15.7**FILING OF RETURN IN RESPONSE TO NOTICE**

The DCT may, at any time after expiry of the date specified u/s 171, by a notice in writing, order to submit return of income (section 172), if -

- ☐ Such person is required to file a return under section 166;
- ☐ Total income of such person becomes taxable during the income year.

The return in response to the notice shall be filed within such period, not being less than 21 days, as may be specified in the notice or within such extended period as the DCT may allow. The assessee is obligated to file return in response to a notice under this section even where the assessee claims that his income is exempt from tax for it is not the Department to determine whether the income is entitled to exemption (*Lala Gopi Mal Kusiala Charitable Trust v. I.T.O. [Punj] 1962, 76 I. T. R. 436*).

15.7CLO
15.5
15.7**TAX COMPUTATION IN CASE OF FILING OF RETURN**

Regarding Payment of Income Tax and Surcharge on or before the date of filing return [Section 173]

Every person who is required to file a return under section 166, 172, 175, 191, 193 or 212 shall pay the tax payable on or before the date of filing of the return [Sec 173(1)].

The tax payable shall be calculated in accordance with A - B rules.

Here,

- ☐ A = tax payable by the taxpayer on the basis of the return or under the provisions of sub-section (5) of section 163, whichever is higher;
- ☐ B = Tax paid at source or advance tax as per the provisions of Part-7.

The amount paid under sub-section (1) shall be deemed to have been paid as tax payable by the taxpayer after assessment of regular tax. If any person, without reasonable cause, fails to pay the tax payable under sub-section (1), he shall be deemed to be a defaulting taxpayer.

Computation of Tax in case of Filing of Return after the Tax Day [Section 174]
If any such taxpayer who requires to file return under section 166 fails to file the return within the Tax Day, without prejudice to the liability arising under other provisions of this Act, the tax of the tax payer shall be assessed and paid as following the formula,

$$A = B + (B - C) \times D \times 0.02,$$

Where,

- ☐ A = Total amount of tax payable,
- ☐ B = Total amount of tax the assessee would have paid if he had submitted the return by Tax Day, provided that
 - the tax exempted income shall be included in the total income and shall be taxed at the regular rate; and
 - shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest,
- ☐ C = Sum of advance tax and TDS paid by the taxpayer in the said income year, and
- ☐ D = Number of months determines as under, namely:
 - the number of months after the expiry of the Tax Day which shall not exceed 24; and
 - a fraction of a month shall also be counted as a full 1 month.

15.8

CLO
15.3

SPECIAL PROVISIONS REGARDING GENERAL RETURN AND REVISED RETURN

Subject to the provisions of sections 182 and 212, the following returns shall be deemed to be general returns, namely:-

- ☐ amended return filed under sub-section (10) of section 182;
- ☐ returns filed in pursuance of the issue of notice U/s 212(3)

If an amended return is filed under any provision of this Act by the Tax Day, tax shall be paid in accordance with section 173. Similarly, if an amended return is filed under

any provision of this Act after the Tax Day, no such exemption shall be claimed in the amended return which was not claimed in the original return and any fresh exemption claimed shall be canceled and taxed at the regular rate.

A return or revised return cannot be filed at the time of assessment of tax based on order of appeal or Tribunal. Provided that, in cases where the taxpayer has not filed any return, the return may be filed at the time of assessment of tax based on order of appeal or Tribunal, if applicable.

15.9

CLO
15.6

CONSEQUENCES OF FILING OF INCOMPLETE RETURN

In case of filing of any return or revised return, if the provisions of section 169 or any direction issued by the Board are not followed, the said return or revised return is considered to be incomplete [Section 176(1)].

If the return or revised return is considered to be incomplete, the Deputy Commissioner of Taxes shall, with the reasons specified, send a notice to the taxpayer to submit the relevant information, verification, statement or document within the time specified in the notice [Section 176(2)].

Where a taxpayer fails to fully comply with the notice given under sub-section (2), the return or amended return, which was deemed to be incomplete-

- ☐ Failure to comply with sub-sections (2) and (5) of section 169 shall be deemed to be void or void as if it had not been filed and in case of such void, the commissioner of taxes shall take the following steps, namely:-
 - sending to the taxpayer a notice of cancellation or invalidity of the return filed;
 - notifying the Additional Commissioner of Taxes in writing of the cancellation or invalidity;
- ☐ in other cases, it may be elected for audit under section 182.

The return or revised return shall be deemed to have been completed on the date of filing if the taxpayer has fully complied with the contents of the notice given under sub-section (2). A return shall not be deemed complete merely because of the acknowledgement of receipt.

15.10

CLO
15.5

SUBMISSION OF RETURN OF WITHHOLDING TAX

The following person will submit a return of withholding tax, in forms as prescribed by the Board, for the taxes deducted and collected under the rules specified in Part 7 of JTA 2023 (U/s- 177):

- ☐ companies other than a local authority, autonomous body, any Government authority, primary or pre-primary school teaching in Bengali, government secondary or higher secondary school, or educational institutions subject to monthly payment orders;

- ☐ firm;
- ☐ association of Persons;
- ☐ private hospital;
- ☐ clinic; and
- ☐ diagnostic center.

Such a return should be submitted to the DCT where he is being assessed. The return shall be furnished in the prescribed form setting forth therein such particulars and information, and accompanied by such schedules, statements, accounts, annexures, or documents as may be prescribed [U/s-177(2)].

Return of withholding tax needs to be submitted within 25th day of every month for the previous month. If such a day falls on a weekend or government holiday, then it needs to be submitted on the following working day. The Board may, by notification in the Official Gazette, prescribe the area, form, and manner of filing returns in electronic readable or computer readable medium.

The DCT may select a number of withholding tax returns with the approval of the Commissioner of taxes for audit and may take action under Sections 143, 144 and 266. No such return shall be selected for audit after the expiry of 4 years from the end of the year in which the return was filed. [Section 186]

15.11 NOTICES FOR ACCOUNTS AND DOCUMENTS

CLO
15.7

Under section – 179, the Deputy Commissioner of Taxes may, by notice in writing, require an assessee who has filed a return under sections 166, 175, 176, or 212 or to whom a notice has been issued to file a return, to produce or cause to be produced such accounts, statements, documents, data or electronic records, not being earlier than three years prior to the income year, as he may consider necessary for the purpose of audit or assessment.

The DCT may specify in the notice that the accounts, statements, documents, data or electronic records or any part thereof shall be produced in such electronic form or by such electronic media as may be mentioned in the notice. The accounts, statements, documents, data or electronic records shall be produced on or before the date as may be specified in the notice. The assessee must comply with the notice, even if he thinks that the accounts or documents required by the DCT are irrelevant (*Tulsi Das Nagin Chand v. C.I.T. [1938] I. T.R. 385*).

Because, The DCT is the sole judge of what is relevant, his discretion to issue a notice under this section is unfettered (*Kunwariji Ananda v. C.I.T. 5 I.T.C. 417, 430*). But the assessee must be given reasonable time within which to produce his books (*C.I.T v. Bombay Trust Corporation Ltd. [1936] I.T.R. 323, 338 (P.C.); Sadaram Puranchand v. C.I.T. 5 I.T.C. 459, 464*).



Consider the given income with other particulars of assessee during the income year 2023 – 24. Identify who is required to file return of income: P - Tk. 360,000 (did not assessed before); Q - Tk. 120,000 (resides within city corporation area); R - Tk. 120,000 (owns a motor car); S - Tk. 120,000 (has been assessed in last year).

15.12 STATEMENT OF ASSETS, LIABILITIES, AND LIFESTYLE

CLO
15.4
15.5

Subject to other provisions of ITA 2023, every natural individual will mandatorily submit the **Statement of Assets and Liabilities** if he (U/s-167)

- ☐ has, in the last date of the income year, a gross wealth exceeding Tk. 50 lakh; or
- ☐ owns a motor car during any time of the income year; or
- ☐ has made an investment in a house property or an apartment in the city corporation area during the income year; or
- ☐ has own properties in countries outside Bangladesh during anytime of the income year; or
- ☐ becomes a shareholder director of any company;

Provided that every public servants shall compulsorily submit a statement of assets and liabilities. Every resident Bangladeshi individual furnish the details of assets and liabilities in and outside Bangladesh. Every non-resident Bangladeshi reports his/her assets and liabilities in Bangladesh while submitting return. Every non-resident foreigner will also report the details of assets and liabilities in Bangladesh.

Provided further that any individual assessee who is not required to submit the statement mentioned here may voluntarily submit such statement. The assets and liabilities of spouse and minor child should be included with the assets and liabilities of the assessee if such spouse of minor child doesn't own a TIN. The DCT may serve a notice to submit such schedule of assets and liabilities if such schedule is not submitted; or if such schedule is required to calculate tax liability for the income year.

In addition to the schedule of asset and liability, every natural individual assessee is also required to submit a **statement of lifestyle** mandatorily if (U/s-168)–

- ☐ total income exceeds Taka five lakhs during the respective income year;
- ☐ owns a motor car any time during the income year;
- ☐ becomes a shareholder director of any company;
- ☐ invests in house property or apartment within city corporation area during the income year; or
- ☐ reports income from business.

The DCT may require any natural person, by notice in writing, to submit a **statement of lifestyle** in any income year, if such statement is not submitted or if such statement is required to calculate tax liability for the income year.

Income Tax Return Rules 2023 prescribe different forms, and schedules to be used by different categories of persons at the time of submitting returns. The relevant forms are downloadable from the NBR website: www.nbr.gov.bd. The contents and formats of return form for different categories of assesses have been continuously updated by the NBR to address any necessary revisions [See exhibit 15.3].

15.3

Form of Return

Form	Purpose	Applicable to
IT-GHA (2023)	Return of Income	Individual Assessee with income and gross wealth not exceeding Tk. 5 lac and Tk. 40 lac respectively
IT-GA (2023)	Return of Income	Individual Assessee other than individuals who need to submit return using IT-GHA (2023)
Inclusions		
Schedule 1	Particulars of Income from salaries	Employees receiving salary under Government Pay Scale (KA), other employees (KHA)
Schedule 2	Particulars of income from rent	Assessee having income from rent
Schedule 3	Income from Agriculture	Assessee having income from agriculture
Schedule 4	Income from business	Assessee having income from business
Schedule 5	Particulars of tax credit/rebate	Assessee claiming investment tax credit
IT-10B (2023)	Statement of Assets, Liabilities and Expenses	Individual Assessee
IT-10 BB (2023)	Statement of Expenses relating to Lifestyle	Individual Assessee
IT-11-GHA (2023)	Return of Income	Company Assessee
IT-11-CHA (2023)	Return of Income	Other than Individual and Company Assessee
Inclusions		
Schedule 1	Particulars of income from rent	Assessee having income from rent
Schedule 2	Income from Agriculture	Assessee having income from agriculture
Schedule 3	Income from business or profession	Assessee having income from business or profession
IT-11-CNHA (2023)	Acknowledgement Slip of Return	Applicable for all taxpayers

15.4

Return Forms for an Individual

IT-11GA (2023)

For Office Use	
Serial No. of Return Register	
Volume No. of Return Register	
Date of Return Submission	

**FORM OF RETURN OF INCOME
FOR NATURAL PERSON**

1. Name of the Taxpayer: _____
2. National ID No./Passport No. (If No NID): _____
3. TIN:

--	--	--	--	--	--	--	--	--	--
4. (a) Circle: _____ (b) Taxes Zone: _____
5. Assessment Year: _____ 6. Residential Status: Resident ☐ / Non-resident ☐
7. Taxpayer's Status: Individual ☐ Firm ☐ Hindu Undivided Family ☐ Others ☐
8. Tick on the box for getting special benefit:
- | | | |
|--|--|---|
| A gazette war-wounded freedom fighter <input type="checkbox"/> | Female <input type="checkbox"/> | Third gender <input type="checkbox"/> |
| A parent of a person with disability <input type="checkbox"/> | Aged 65 years or more <input type="checkbox"/> | Disable person <input type="checkbox"/> |
9. Date of Birth (DD MM YYYY)
- | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
10. Wife/Husband's Name: _____
TIN (if spouse is a Taxpayer): _____
11. Address: _____

Telephone: _____ Mobile: _____ e-mail: _____
12. If employed, employer's name (latest employer's name in case of multiple employment):

13. (a) Name of Organization: _____
(b) Business Identification number (BIN): _____
14. Name and TIN of Partners / Members in case of Firm / Association of Persons: _____

Statement of Income and Tax
during the Income Year ended on _____

Name of the Taxpayer: _____

TIN: _____

Particulars of Income	Amount in Tk.
1. Income from Employment (annex Schedule 1)	
2. Income from Rent (annex Schedule 2)	
3. Income from Agriculture (annex Schedule 3)	
4. Income from Business (annex Schedule 4)	
5. Income from Capital Gain	
6. Income from Financial Assets (Bank Interest, Dividend, Securities Profit etc)	
7. Income from Other Sources (Royalty, License Fees, Honorarium, Govt. Incentive etc.)	
8. Share of Income from Firm or AoP	
9. Income of Minor or Spouse (if not Taxpayer)	
10. Taxable Income from Abroad	
11. Total Income (Aggregate of Serial 1 to 10)	

Tax Computation

Amount in Tk.

12. Gross Tax on Taxable Income	
13. Tax Rebate (annex Schedule 5)	
14. Net Tax after Rebate (12 - 13)	
15. Minimum Tax	
16. Tax Payable (Higher of 14 and 15)	
17. (a) Net Wealth Surcharge (if applicable)	
(b) Environmental Surcharge (if applicable)	
18. Delay Interest, Penalty or any other amount Under Income Tax Act (if any)	
19. Total Amount Payable (16 + 17 + 18)	

Particulars of Tax Payment

Amount in Tk.

20. Tax Deducted or Collected at Source (attach proof)	
21. Advance Tax paid (attach proof)	
22. Adjustment of Tax Refund (mention assessment year(s) of refund)	
23. Tax Paid with this Return	
24. Total Tax Paid and Adjusted (20 + 21 + 22 + 23)	
25. Excess Payment (24 - 19)	
26. Tax Exempted / Tax Free Income (attach proof)	

List of Documents Furnished with this Return**Verification**

I, _____ father/husband _____
 TIN: _____ Solemnly declare that to the best of my knowledge and belief
 the information given in this return and statements and documents annexed herewith is correct and
 complete.

Place : _____

Date : _____

Signature
(Name in block letters)

SCHEDULE I PARTICULARS OF INCOME FROM EMPLOYMENT

a. This part is applicable for employees receiving salary under government pay scale.

Name of the Taxpayer: _____ TIN

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Particulars	Total Amount (Taka)	Exempted Amount (Taka)	Taxable Amount (Taka)
1. Basic pay			
2. Arrear Pay			
3. Special allowance			
4. House Rent allowance			
5. Medical allowance			
6. Conveyance allowance			
7. Festival allowance			
8. Support Staff allowance			
9. Leave allowance			
10. Honorarium / Reward			
11. Overtime allowances			
12. Bangla Noboborsho allowances			
13. Interest accrued on Provident Fund			
14. Lump Grant			
15. Gratuity			
16. Others, if any (provide detail)			
17. Total			

b. This part is applicable for employees other than employees receiving salary under government pay scale.

Name of the Taxpayer: _____ TIN

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Particulars	Income (Taka)	Income (Taka)
1. Basic pay		
2. Allowances		
3. Advance / Arrear Salary		
4. Gratuity, Annuity, Pension or similar benefit		
5. Perquisites		

6. Receipt in lieu of or in addition to Salary or Wages		
7. Income from Employee's Share Scheme		
8. Accommodation Facility		
9. Transport Facility		
10. Any other Facility provided by Employer		
11. Employer's Contribution to Recognized Provident Fund		
12. Others, if any (provide detail)		
13. Total Salary Received (aggregate of 1 to 12)		
14. Exempted Amount (as per Part I of 6 th Schedule)		
15. Total Income from Salary (13 - 14)		

SCHEDULE 2 (PARTICULARS OF INCOME FROM RENT)

Name of the Taxpayer: _____ TIN

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Location, description, and ownership proportion of property	Total Rental Income Computation	Amount (Taka)	Amount (Taka)
	1. Rent Received or Annual Value (whichever is higher)		
	2. Advance Rent Received		
	3. Value of any Benefit in addition to 1 & 2		
	4. Adjusted Advance Rent		
	5. Vacancy Allowance		
	6. Total Rental Value (1 + 2 + 3 + 4 + 5)		
	7. Allowable Deduction:		
	(a) Repair, Collection etc.		
	(b) Municipal or Local Tax		
	(c) Land Revenue		
	(d) Interest Paid on Loan / Mortgage / Capital Charge		
	(e) Insurance Premium Paid		
	(f) Others, if any		
	8. Total Admissible Deduction		
	9. Net Income (6 - 8)		
	10. Taxpayer's Share, if applicable		

SCHEDULE 3
(PARTICULARS OF INCOME FROM AGRICULTURE)

Name of the Taxpayer: _____ TIN

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Nature of Agriculture: _____

Summary of Income	Amount in Tk.
1. Sales / Turnover / Receipt	
2. Gross Profit	
3. General Expenses, Selling Expenses, Land Revenue, Rates, Loan Interest, Insurance Premium and Other Expenses	
4. Net Profit (2 - 3)	

SCHEDULE 4
(PARTICULARS OF INCOME FROM BUSINESS)

Name of the Taxpayer: _____ TIN

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Name of Business: _____ Nature of Business: _____

Address of Business: _____

Summary of Income	Amount in Tk.
1. Sales / Turnover / Receipt	
2. Gross Profit	
3. General, Administrative, Selling and Other Expenses	
4. Bad Debt Expense	
5. Net Profit (2 - 3)	

Summary of Balance Sheet	Amount in Tk.
6. Cash and Bank Balance	
7. Inventory	
8. Fixed Assets	
9. Other Assets	
10. Total Assets (6 + 7 + 8 + 9)	
11. Opening Capital	
12. Net Profit	
13. Drawing during the Income Year	
14. Closing Capital (11 + 12 - 13)	
15. Liabilities	
16. Total Capital & Liabilities (14 + 15)	

SCHEDULE 5
(PARTICULARS OF INVESTMENT TAX CREDIT)

Name of the Taxpayer: _____ TIN

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Particulars of Rebatable Investment

Summary of Income	Amount in Tk.
1. Life Insurance Premium or Contractual Deferred Annuity Paid in Bangladesh	
2. Contribution to Deposit Pension Scheme	
3. Investment in Government Securities, Unit Certificate, Mutual Fund, ETF or Joint Investment Scheme Unit Certificate	
4. Investment in Securities listed with Approved Stock Exchange	
5. Contribution to Provident Fund to which Provident Fund Act, 1925 applies	
6. Self & Employer's Contribution to Recognized Provident Fund	
7. Contribution to Superannuation Fund	
8. Contribution to Benevolent Fund / Group Insurance Premium	
9. Contribution to Zakat Fund	
10. Others, if any (provide detail)	
11. Total Investment (aggregate of 1 to 10)	
12. Amount of Tax Rebate	

STATEMENT OF EXPENSES RELATING TO LIFESTYLE (For Natural Person)

Name of the Taxpayer: _____

TIN

Serial No.	Particulars of Expenditure	Amount of Tk.	Comments
1.	Personal and family fooding, clothing and other essentials		
2.	Housing Expense		
3.	Personal Transport Expense		
4.	Utility Expense (Electricity, Gas, Water, Telephone, Mobile, Internet etc. Bills)		
5.	Education Expense		
6.	Personal Expense for Local and Foreign Travel, Vacation etc.		
7.	Festival and Other Special Expense		
8.	Tax Deducted/Collected at Source (with TS on Profit of Sanchaypatra) and Tax & Surcharge Paid based on Tax Return of Last Year)		
9.	Interest Paid on Personal Loan Received from Institution & Other Source		
	Total:		

Verification

I solemnly declare that to the best of my knowledge and belief the information given in this IT-10BB (2023) is correct and complete.

Name & signature of the Taxpayer: _____

Date: _____

STATEMENT OF ASSETS, LIABILITIES AND EXPENSES (AS ON _____)

To Whom It May Concern

- All Public Servants.
- If the amount of Total Asset at home and abroad exceeds Taka 40,00,000.
- The amount of Total Asset does not exceed Tk. 40,00,000 but owns a Motor Car in any time or Invested in any House Popery or Apartment within the City Corporation area or Owns Assets outside Bangladesh or being a Shareholder Director of a Company.
- Every Non-Bangladeshi and Non-Resident Bangladeshi Natural Person shall submit the statement only in respect of Assets Located in Bangladesh.

Name of the Taxpayer: _____

TIN

1. Sources of Fund:	Amount (Tk.)	Amount (Tk)
(a) Total Income Shown in Return (Sl. No. 11 of Statement of Total Income)		
(b) Tax Exempted Income (Pls see Instruction Page)		
(c) Receipt of Gift and Others		
Total Source of Fund:		
2. Net Wealth as on Last Date of Previous Income Year		
3. Sum of Source of Fund and Previous Year's Net Wealth (2 + 3)		
4.		
(a) Expense relating to Lifestyle (as per IT-10BB)		
(b) Gift / Expenses / Loss Not Mentioned in IT-10BB		
Total Expense and Loss:		
5. Net Wealth at the Last Date of this Financial Year (3 - 4)		
6. Personal Liabilities Outside Bangladesh		
(a) Institutional Liabilities		
(b) Non-Institutional Liabilities		
(c) Other Liabilities		
Total Liabilities Outside Bangladesh:		
7. Gross Wealth (5 + 6)		
8. Particulars of Assets (if needed attach separate sheet)		
(a) Total Asset of Business		
Less: Business Liabilities (Institutional & Non-Institutional)		
(b) Director's Shareholdings in the Companies		

(c) Business Capital of Partnership Firm		
(d) Non-Agricultural Property / land / House Property (Acquisition / Cost Value with Legal Expense / Acquired Price / Building Cost / Investment) Location and Description of Non-Agricultural Property (use separate sheet if needed)		
(e) Agricultural Property (Acquisition / Cost Value with Legal Expense) Location and Description of Non-Agricultural Property (use separate sheet if needed)		
(f) Financial Assets:		
(i) Share / Debenture / Bond / Securities / Unit Certificate etc.		
(ii) Sanchayaptra / Deposit Pension Scheme		
(iii) Loan Given (Mention Name & NID of Loan Receiver)		
(iv) Savings Deposit / Term Deposit		
(v) Provident Fund or Other Fund (if any)		
(vi) Other Investment		
Total Financial Assets:		
(g) Motor Vehicle(s) (Cost Value including Registration Expense) (Mention Type and Registration Number of Motor Vehicle)		
(h) Ornaments (Mention Quantity)		
(i) Furniture and Electronic Items		
(j) Other Assets (Except Assets Mentioned in Sl. k)		
(k) Cash in Hand and Fund Outside Business		
(i) Bank Balance		
(ii) Cash in Hand		
(iii) Others		
Total Cash in Hand and Fund Outside Business:		
9. Asset Outside Bangladesh		
10. Total Assets in Bangladesh and Outside Bangladesh (8 + 9)		

Verification

I solemnly declare that to the best of my knowledge and belief the information given in this IT-10B (2023) is correct and complete.

Name & signature of the Taxpayer

Date: _____

Instructions to fill up the Return Form

Instructions:

- (1) This Return of Income shall be Signed and Verified by the Taxpayer or his Authorized Representative as prescribed in the Income Tax Act, 2023.
- (2) Enclose where applicable:
 - (a) Salary statement for salary; Bank statement for interest; Certificate for interest on savings instruments; Rent agreement, receipts of municipal tax & land revenue, statement of house property loan interest, insurance premium for house property income; Statement of Professional income as per IT Rule-8; Copy of assessment/ income statement & balance sheet for partnership income; Documents of capital gain; Dividend warrant for dividend income; Statement of other income; Documents in support of investments in savings certificates, LIP, DPS, Zakat, stock/share etc.
 - (b) Depreciation Chart claiming depreciation as per the Income Tax Act, 2023;
 - (c) Computation of Income according to the Income Tax Act, 2023.
- (3) Enclose Separate Statement for:
 - (a) any income of the spouse of the Taxpayer (if she/he is not an Taxpayer), minor children and dependent;
 - (b) Tax exempted / Tax free Income.
 - (c) Income Exempted from Tax declared under Part I of the Sixth Schedule of the Income Tax Act, 2023.
- (4) Documents furnished to support the declaration should be signed by the Taxpayer or his/her authorized representative.
- (5) Furnish the following information:
 - (a) Name, address & TIN of the partners if the Taxpayer is a firm;
 - (b) Name of firm, address & TIN if the Taxpayer is a partner;
 - (c) Name of the company, address & TIN if the Taxpayer is a director.
- (6) Assets and liabilities of self, spouse (if she/he is not a Taxpayer), minor children and dependent(s) to be shown in the IT-10B (2023).
- (7) Signature is mandatory for all Taxpayer or his / her authorized representative.
- (8) For Natural Person, signature is also mandatory in IT-10B (2023) & IT-10BB (2023).
- (9) If needed, please use a separate sheet.

Acknowledgement Receipt / Certificate of Return of Income

Total Tax Paid : Tk.

Serial No. of Return Register	
Volume No. of Return Register	
Date of Return Submission	

Signature and Seal of the Official Receiving the Return

- ☐ A person other than a company is required to file a return if his or her tax payable income during the income year 2023 - 24 exceeds Tk. 350,000 or if he/she has been assessed in any one of the three immediately preceding years.
- ☐ Every company has to file a return of income irrespective of their profitability.
- ☐ In the case of an individual the person authorized to sign on the return of income is the individual himself; if absent, the authorized person; if mentally incapacitated, the guardian or any other person competent to act on his behalf.
- ☐ In the case of an assessee other than a company, the return must be submitted by the thirtieth day of November following the end of the income year.
- ☐ In the case of a company, the return must be submitted by the fifteenth day of the seventh month following the end of the income year; or the fifteenth day of September following the end of the income year where the said fifteenth day falls before the fifteenth day of September
- ☐ Return should be supported with proper documents, e.g., statement of assets and liabilities (individual assessee) and audited financial statement (company).
- ☐ Where the full amount of tax payable has been deducted at source, assessee may, instead of filing a return file a certificate of income along with supplementary documents.
- ☐ The DCT may, at any time after expiry of the last date for filling return by a notice in writing asks the assessee to file a return of income.
- ☐ A person can furnish a revise return at any time before assessment is made when he/she discover any omission or incorrect statement.
- ☐ The DCT may, by notice in writing, require an assessee to produce or cause to produce any accounts, statements/documents at the time specified on the notice.

MULTIPLE CHOICE QUESTIONS

1. Which of the following is not a reason to a person other than a company for filling return?
(a) Owns a motor car (b) CA (c) Has no TIN (d) CMA
2. Who is not authorized to sign a return in the case of an individual?
(a) Individual himself (b) Authorized person
(c) Lawyer of the assessee (d) None of these
3. An assessee other than a company need to file a return by the –
(a) 30 June (b) 30 November (c) 15 July (d) 15 August
4. DCT may send a notice to file a return within such days not being less than –
(a) 21 days (b) 30 days (c) 60 days (d) 7 days
5. An abstract of the provident fund account of an employee need to furnish where each employee participating in a Recognized Provident Fund and whose income under the head salary is –
(a) Tk. 15,000 or over per month (b) Tk. 20,000 or over per month
(c) Tk. 15,000 or over per year (d) Tk. 20,000 or over per year
6. When can an assessee file a revise return?

- (a) Before assessment is made
(c) At any time
7. Which of the following need not to be submitted by an individual with return of income?
(a) Particulars of life style
(c) Statements of liabilities
8. The last date for the submission of return may be extended by the DCT for a period of -
(a) 21 days (b) 2 months (c) 1 month (d) 45 days
9. In the case of a company, who is authorized to sign on the return?
(a) Chief accountant
(c) Chairmen of the board
10. Who can send notice and asks for filling return or to produce accounts and documents?
(a) Commissioner of Taxes
(c) Deputy Commissioner of Taxes
- (b) After assessment is made
(d) Never
- (b) Statements of assets
(d) Audited statement of accounts
- (b) Principal officer
(d) Any official
- (b) Appellate Joint Commissioner
(d) Tax Recovery Officer

TRUE (T) OR FALSE (F) IDENTIFICATION

- Every company is required to file a return irrespective of their profitability.
- If someone's (except company) taxable income is below Tk. 350,000 in the income year 2023 - 24, he may require filing return of income in some specific cases.
- The chief accountant shall furnish dividend information to the prescribed officer.
- DCT can extend the period for submission of return.
- DCT can send notice and can ask for accounts and documents.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ15.1 "If someone's income during the income year does not exceeds the maximum amount which is not chargeable to tax, may require to file return" - do you agree? Explain.
- DQ15.2 Who is authorized to sign on the return and when an assessee should file the return?
- DQ15.3 "The DCT may, at any time send a notice to the assessee and may ask for filling a return or may ask for accounts and documents" - explain.
- DQ15.4 How do you think a nonresident Bangladeshi can submit his/her return of income?
- DQ15.5 When can an assessee submit certificate in place of return?
- DQ15.6 How do you think an assessee can file a revise return?
- DQ15.7 When do you think information regarding payment of dividend is required to furnish? What information should be provided in this regard?
- DQ15.8 Write short note on: ☐ Tax Day ☐ Certificate in place of return ☐ Forms of return

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
c	d	b	a	d	a	d	b	b	C

TRUE/FALSE

1	2	3	4	5
T	T	F	T	T

SELF - REVIEW 15.1

Except Q, everyone else should file return. P's income exceeds maximum amount which is not chargeable to tax, R and S's income does not exceed Tk. 300,000 but R owns a motor car, and S has been assessed in last year.

SELF - REVIEW 15.2

☐ Information regarding Interest

Name and address of every person to whom such payment has been made or was due; the amount of payment so made or due; and such other particulars as may be prescribed.

☐ Information regarding Dividend

The name and address of every shareholder, as entered in the register of shareholders, to whom a dividend or the aggregate of dividends has been paid or distributed; The amount of dividend or dividends so paid or distributed; and such other particulars as may be prescribed.

16

Assessment, Audit, Refunds, and Recovery of Tax

"They can't collect legal taxes from illegal money."
— Al Capone

Chapter Learning Objectives (CLOs)

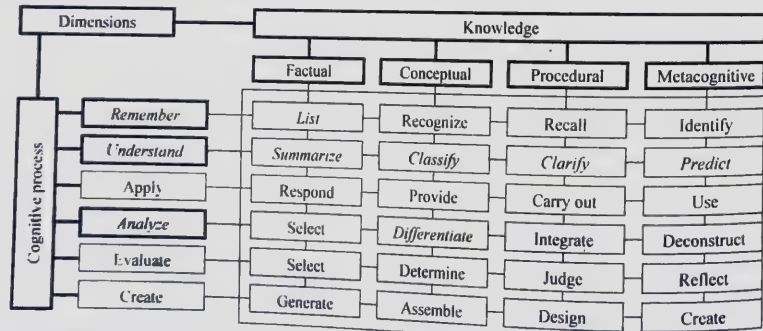
On completion of this chapter, you will be able to:
CLO 16.1 understand the concept of assessment
CLO 16.2 explain the assessment cycle
CLO 16.3 differentiate various types of assessments
CLO 16.4 enumerate the procedure of audit
CLO 16.5 illustrate the process of tax recovery
CLO 16.6 list situations entitled tax refund

KEY TERMS

Assessment, Recovery, Refund, Spot Assessment, Appeal, Universal Self Assessment, Provisional assessment, Notice, Audit

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



16.1

CLO
16.1

ASSESSMENT: DEFINITION

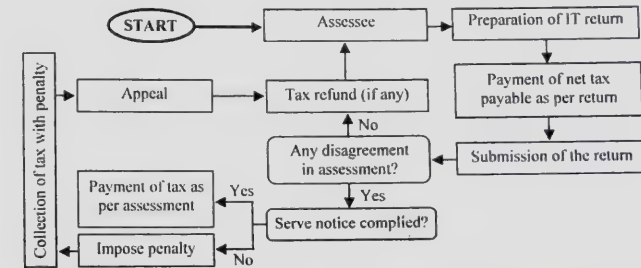
The term 'assessment' is very important in income tax literature. Most of the sections of ITO lead to fair assessment of the assessee. Traditionally, assessment may mean to calculate the taxable income with the tax liability. But, in modern sense, assessment is a wider concept. It is not mere calculation rather is a process that starts from the identification of taxpayers and ends with the collection of tax from him to the satisfaction of IT authority. Thus, it covers the full cycle of assessment.

16.2

CLO
16.2

ASSESSMENT CYCLE

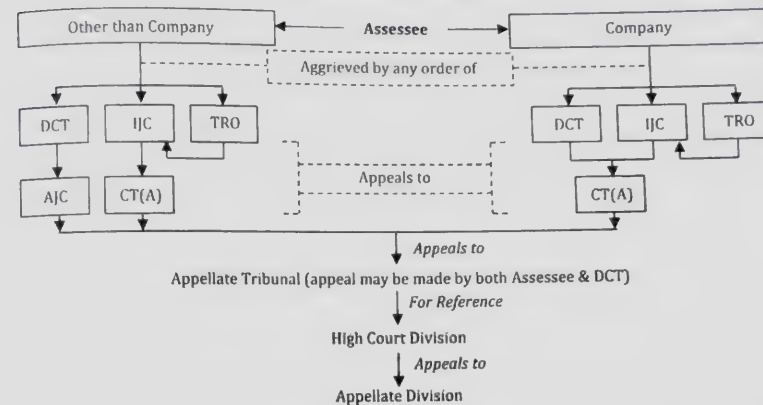
Figure: Tax Assessment Cycle



Assessment cycle is the steps required to complete the full assessment process. It starts with the taxpayer (assessee) and ends with the payment of required tax to the full satisfaction of the IT authority. The same process continues over the years and forms a never-ending loop. Assessment cycle starts with the assessee. The steps are pointed out below in a simplified manner:

- The assessee is required to fill up Income Tax Return under section 166. According to the rules set under the Income Tax Return Rule, 2023, the Specimen of Form of Return of Income is followed.
- Then the assessee is required to compute net tax liability payable by him to the government. The computation is based on the taxable income as shown in income tax return reduced by tax deducted at source (TDS), advance income tax (AIT), tax rebate on investment allowance. At the time of submitting income tax return, the assessee is required to submit documents to show that the tax as computed has already been paid through A challan in Bangladesh Bank or Sonali Bank.
- Once the return is filled up and calculated tax is paid accordingly, the assessee is now required to submit the return to the DCT.

- ☐ Now, the DCT will check the return submitted by the assessee for accuracy. This is called the assessment which may be provisional or regular. If the DCT is satisfied and the assessment process is complete, then the DCT will issue an assessment order to the assessee.
- ☐ If the assessment made by the DCT results more tax to be paid by the assessee he will issue a demand notice for the same under section 214 in specified form. If the assessee fails to pay the amount of additional tax within the time, he will be treated as 'assessee in default' and legal actions can be taken against him for collecting tax.
- ☐ After receiving the demand notice from the DCT, the assessee may demand more time from the DCT or may also apply for payment of such additional tax in installment. Then, the assessee is required to pay such tax within the extended time or in installment as per the direction of the DCT.
- ☐ The DCT may impose penalty due to the non-compliance in any manner, say, not abided by the demand notice, violence of any section of the ordinance, non-submission of required documents, non-payment of tax as revised etc. The nature and extent of penalty depends on the type of non-compliance and will be guided by Part 19 (Sec 266 to 284) and 22 (sec 310 to 326) in most of the cases.
- ☐ Once the penalty is imposed, the assessee is required to pay penalty with the amount of tax (if unpaid). The process starts with serving notice of demand (U/s - 214) in the prescribed form specifying therein the sum payable and the time within which, and the manner in which, it is payable, together with a copy of an assessment order. If the assessee failed to pay tax within the time specified, he will be deemed to be in default and in such circumstances; the Deputy Commissioner of Taxes may forward to the Tax Recovery Officer a certificate for recovery of the tax, under his signature specifying the amount of arrears due from the assessee (U/s - 216). Such recovery may also be made by Collector of District (U/s - 220).
- ☐ Any assessee, if aggrieved, may appeal to higher tax authority in line with the sections 285 to 295 of Part 20 of IT Act, 2023.
- ☐ If the amount of tax paid becomes more than the taxes payable as per assessment, the assessee is entitled to be refunded. Chapter 3, Part 15 of IT Act 2023 deals with refunds. As the assessee is required to pay tax before the annual assessment by way of tax deducted at sources (TDS), Advance Income Tax (AIT), payment of tax at the time of filing return, payment of tax due to demand notice; the total amount of tax paid may be higher than the amount of tax to be paid. Refund may also become due because of any order passed in appeal (U/s 229). However, tax authority may adjust the amount of such refund against other direct taxes (e.g., gift tax, wealth tax) as payment of tax under sections 154 or 173 thereof.

EXHIBIT**16.1****Procedure of Appeal**

Here, DCT: Deputy Commissioner of Taxes; IJC: Inspecting Joint Commissioner of Taxes; TRO: Tax Recovery Officer; AJC: Appellate Joint Commissioner of Taxes; CT(A): Commissioner of Taxes (Appeals)

16.3CLO
16.3**TYPES OF ASSESSMENT**

In a tax assessment cycle, assessment is a very important step and Part 10 (Sec 180 to 196) of the IT Act 2023 is fully dedicated for assessment. The following types of assessment has been enumerated in this part:

	Section: 180 - 181
<input type="checkbox"/> Self-Assessment	183
<input type="checkbox"/> Assessment based on Return	184
<input type="checkbox"/> Best judgment assessment	185
<input type="checkbox"/> Provisional Assessment	187
<input type="checkbox"/> Assessment of Firms or AOP	188
<input type="checkbox"/> Assessment in case of change in the constitution of a firm	189
<input type="checkbox"/> Assessment in case of constitution of new successor firm	190
<input type="checkbox"/> Assessment in case of succession to business otherwise than on death	191
<input type="checkbox"/> Assessment in case of a discontinued business	192
<input type="checkbox"/> Assessment in case of partition of a HUF	193
<input type="checkbox"/> Assessment in case of persons leaving Bangladesh	194
<input type="checkbox"/> Assessment in case of income of a deceased person	195
<input type="checkbox"/> Spot Assessment	

Self-Assessment [Section 180]

It will be assumed that the income, tax, and other liability has been automatically assessed in case of any submission of "Self-Assessed Return" by any individual assessee under this section, if -

- ☐ all the provisions under section 169 have been duly complied; and
- ☐ taxes are paid after complying with the provisions of sections 173 and 174.

Provided that, if any return is submitted without complying with the provisions of section 169, it will be assumed as "Normal Return" [Section 180(1)]. Where, after filing the return under sub-section (1), the assessee finds that in respect of -

- ☐ total shown income; or
- ☐ any tax exemption or rebate; or
- ☐ any other reasons.

tax payable amount has not been computed correctly or paid accordingly, he may file an amended return attaching with the amended return, a written statement mentioning the nature and the reason for the mistake:

Provided that the assessee shall pay in full, on or before filing the amended return, the tax and any other amount that was paid short or computed short; and a simple interest at the rate of five percent (5%) per month on the said amount [Section 180(2)]. Provided further that no amended return shall be allowed after the -

- ☐ expiry of 180 days from the date of filing original return under sub-section (1);
- ☐ first submission of the amended return; or
- ☐ original return has been selected for audit under section 182 [Section 180(3)].

In the case of a return submitted under sub-section (1), no question as to the source of initial capital of business/profession of a new assessee shall be raised, if the assessee -

- ☐ shows non-exempted income, and income exceeds the tax exemption threshold;
- ☐ shows income no less than 20% of the initial capital invested in the business;
- ☐ pays tax on such income at regular tax rate along with any other applicable amount on or before filing of return;
- ☐ provides the documents regarding the existence of the business;
- ☐ submits the tax return of an assessment year within the Tax Day; and
- ☐ mentions in writing that the return is not any due return [Section 180(4)].

For this section "regular tax rate" is the rate of tax that would be applicable if the tax exemption or the reduced rate were not granted; and "due return" is the return that has not been submitted in the assessment year of the concerned income year [Sec 180(6)].

Process of Return by the DCT submitted under "Self- Assessment" [Section 181]

The DCT shall process the return filed under section 180 in the following manner:

- ☐ income shall be computed after making the adjustments of any arithmetical error in the return or any incorrect claim which is apparent from the existence of any information in the return or in any statement or document filed therewith;

- ☐ tax and any other amount payable under this Act shall be computed on the basis of the income computed under clause (a); and
- ☐ the sum, payable by or refundable to the assessee, shall be determined after giving credit of the sum paid by way of advance tax including the tax paid at source and the tax paid under this Act [Section 181(1)].

Where the process of return results in a difference in the amount of income, tax or other material figures than the amount mentioned in the return filed under section 180, the DCT shall serve a notice to the assessee in the following manner, namely-

- ☐ communicating him about the difference and enclosing with the notice a sheet of computation of income, tax, refund or other related particulars that resulted from the process of return;
- ☐ giving him an opportunity to explain his position in writing within the time specified in the notice where the process of return results in additional liability or in reduction of refund, as the case may be; and
- ☐ giving him an opportunity to-
 - file an amended return, in the applicable cases, within the time specified in the notice, addressing the difference mentioned in the notice; and
 - pay, within the time specified in the notice, the tax and any other amount that becomes payable as a result of the process [Section 181(1)].

Where a notice under sub-section (2) is served, the DCT shall-

- ☐ send a letter of acceptance of amended return within 90 [ninety] days where all the following conditions are fulfilled -
 - an amended return is filed in accordance with clause (c) of sub-section (2);
 - any tax or other amount, payable under this Act as a result of the process, has been paid on or before the submission of the amended return; and
 - the difference mentioned in sub-section (2) has been duly resolved;
- ☐ serve, after the expiry of the date of response of the assessee as mentioned in the notice under sub-section (2), a notice of demand along with a sheet of computation of income, tax, refund or other related particulars where any of the conditions mentioned in clause (a) is not fulfilled;
- ☐ a notice of demand shall be served within 6 [six] months from the date of serving notice under sub-section (b) [Section 181(1)].

For the purpose of this section, any information claimed as wrong based on relevant documents means - any irrelevance with any documents submitted with the return; or any excess of deduction, credit over the admissible limit [Section 181(1)].

Assessment by Deputy Commissioner of Taxes [Section 183]

Subject to section 183, the DCT may, relying on the respective return, documents or any other provision of this Act, assess the income tax payable in the following cases:

- ☐ if any return or amended return filed by any person is considered as an ordinary return under 175; or

- ☐ a sum payable under section 182(12), or
- ☐ is eligible for assessment under section 212 or 213, or
- ☐ is required to pay tax on any amount under this Act.

Where the DCT is satisfied without requiring the presence of the assessee or the production of any evidence, he shall assess the total income of the assessee and determine the tax payable by him based on such return, subject to the following conditions:

- ☐ such return shall be filed on or before the date specified in section 171
- ☐ the amount of tax shall be paid on or before the date on which the return is filed;
- ☐ such return does not show any loss lesser income than the last assessed income;
- ☐ assessment on the basis of such return does not result in refund; and
- ☐ such return shall mention Taxpayer's Identification Number [Section 183(2)].

Where the DCT requires the presence of the person who filed the return or the production of evidence for the assessment, he shall serve on such person a notice requiring him:-

- ☐ on a date and time to be therein specified, to appear before the Deputy Commissioner of Taxes by himself or by any representative; or
- ☐ to provide necessary documents relevant to the return [Section 183(3)].

The DCT shall start the assessment procedure when the assessee complies with the notice under subsection (3). During assessment, the DCT may require further hearing and shall enumerate the consequences of failure in complying with the requirement provided through notice. Without giving the scope of hearing, the DCT cannot declare any expense shown by the assessee as inadmissible [Section 183(4-6)].

After hearing the person appearing, and also considering such other evidence, if any, the DCT may require on specified points, by an order in writing assess, within thirty days after the completion of the hearing or consideration, as the case may be, the total income of the assessee and determine the sum payable by him on the basis of such assessment and communicate the order to the assessee within thirty days next following. In case of the failure of the compliance by the assessee against the notice under subsection (3) or (4), the DCT may initiate for the best judgment assessment under section 184 [Section 183(7-8)].

Best Judgment Assessment [Section 184]

Section 184 provides that the DCT shall make the assessment to the best of his judgment in two cases. The two cases where a best judgment assessment has to be made are, where any person fails:

- ☐ to file the return required by a notice under section 172 and has not filed a return or revised return under section 175; or
- ☐ to comply with the requirements of a notice under section 172, 175, 183 (3) & (4), 193 or 212.

Best Judgment Assessment will be done after considering available information and legal and factual aspects of the case. The order under this section shall reflect the ground of the Best Judgment Assessment. The DCT shall, by an order in writing or electronically, assess the total income to the best of his judgment and communicate such order to the assessee within thirty days next following [U/s 184 (2-4)].

Provisional Assessment [Section 185]

The DCT may make a provisional assessment of the tax payable by the assessee on the basis of the return as filed & the accompanying accounts and documents, and where no return has been filed on or before the Tax Day, on the basis of the last assessment, on the basis of Best Judgment Assessment by the DCT [U/s 184 (1-3)].

In making a provisional assessment under this section, the DCT shall:-

- ☐ rectify any arithmetical errors in the return, accounts and documents;
- ☐ allow, on the basis of the information available from the return, accounts and documents, set off and carry forward of losses or carry forward of depreciation allowances U/s 70 and 71 [U/s 184 (1-4)].

For the purposes of payment and recovery, the tax as determined to be payable upon provisional assessment shall have effect as if it were determined upon regular assessment [U/s - 184(5)]. The following amount will be granted as credit in case of assessing income under this section -

- ☐ Any amount paid or collected at source and duly deposited into government's fund; and
- ☐ any paid amount of advance tax. Where any amount is paid towards provisional assessment, such amount will be granted as credit at the time of regular assessment [U/s 184(6-7)].

Nothing done or suffered by reason or in consequence of any provisional assessment made under this section shall prejudice to the determination on merit of any issue which may arise in the course of regular assessment. There shall be no right of appeal against a provisional assessment under this section [U/s - 184(8-9)].

Assessment of Firm or Association of Persons [Section 187]

In the case of assessment of a Firm or Association of Persons -

- ☐ first, total income of a firm of AOP shall be computed and the tax payable shall be determined on the basis of the total income [U/s 187(1)].
- ☐ then, the apportionment of the amount of income shall be done between the several partners.

Assessment of Firm: Change in the Constitution [Section 188]

Where, at the time of assessment of a firm, it is found that a change has occurred in the constitution of the firm, the assessment shall be made on the firm as constituted at

the time of making the assessment [U/s 187(1)]. The income of the years shall, for the purpose of inclusion in the total income of the partners, be apportioned between the partners who, in such income year, were entitled to receive the same; and when the tax assessed upon a partner cannot be recovered from him, it shall be recovered from the firm as constituted at the time of making the assessment [U/s 187(2)].

For this section, there is a change in the constitution of a firm [U/s 187(3)] -

- ☐ where all the partners continue with a change in their respective shares or in the shares of some of them, or
- ☐ where one or more persons who were partners continue to be so with a change by cessation of one or more partners or addition of one or more new partners.

Assessment: New Successor Firm [Section 189]

As per section 189, where, at the time of assessment on a firm, it is found that a new firm has been constituted to succeed the firm to which the assessment relates and it cannot be covered by section 188, separate assessments shall be made on the predecessor firm and the successor firm in accordance with the provisions of section 190 relating to assessment in case of succession to business.

Assessment in Case of Succession to Business Otherwise Than on Death

As per Section 190, where, a person, carrying on any business (predecessor), has been succeeded therein otherwise than on death by another person (successor) continues to carry on that business, [U/s 190(1)] -

- ☐ the predecessor shall be assessed, in respect of the income of the income year in which the succession took place, for the period up to the date of succession, and
- ☐ the successor shall be assessed, in respect of the income of the income year, for the period after the date of succession.

Where the predecessor cannot be found, the assessment of the income year in which the succession took place up to the date of succession and of the income year or years preceding that year shall be made on the successor in the like manner and to the same extent as it would have been made on the predecessor; and the provisions of this Ordinance shall, so far as may be, apply accordingly [U/s 190(2)]. Where any sum payable under this section in respect of the income of a business or profession cannot be recovered from the predecessor, the DCT shall record a finding to that effect, and the sum payable by the predecessor shall be payable by, and recoverable from, the successor who shall be entitled to recover if from the predecessor [U/s 190(3)].

Assessment in Case of Discontinued Business [Section 191]

Without prejudice to the provision of section 189, where any business or profession is discontinued in any financial year, the assessment may be made in that year. For such assessment, total income will be calculated for the period between the end of the income year and the date of such discontinuance [U/s 191(1-2)]. Any person

discontinuing any business or profession in any financial year shall give to the DCT a notice of such discontinuance within 15 days thereof; and such notice shall be accompanied by a return of total income for the period between the end of the income year and the date of such discontinuance and that financial year shall be deemed to be the assessment year for the income of the said period [U/s 191(3)].

Where, a person fails to give the notice required by sub-section (3), the DCT may direct that a sum shall be recovered from him by way of penalty not exceeding the amount of tax subsequently assessed on him in respect of any income from the business up to the date of its discontinuance [U/s 191(4)]. Where an assessment is to be made under sub-section (1), the DCT may serve [U/s 191(5)] -

- ☐ on the person whose income is to be assessed;
- ☐ in the case of a firm, on the person who was a partner of the firm at the time of discontinuance of the business or profession; and
- ☐ in the case of a company, on the principal officer of the company;

a notice to furnish within such time, not being less than seven days, a return of his total income giving such particulars and information as are required to be furnished with a return to be filed under section 169 along with such other particulars, records and documents as may be specified in the notice. This provision shall, so far as may be, apply to a notice under sub-section (5) for the purpose of assessment of tax as if it were a notice under section 172 [U/s - 191(6)].

Assessment: Partition of Hindu Undivided Family (HUF) [Section 192]

A Hindu family hitherto assessed as a Hindu undivided family shall be deemed, for the purposes of this Act, to continue to be a Hindu undivided family except where, and in so far as, a finding of partition has been given under this section in respect of that family [U/s - 192(1)].

If any member of a HUF, at the time of an assessment, claims that a partition has taken place amongst the members of the family, the DCT shall make an enquiry after giving notice to all the members of the family. On the completion of the enquiry, the DCT shall record a finding as to whether there has been a partition of the joint family property, and, if there has been such a partition, the date on which it has taken place [U/s - 192(2-3)]. If the partition took place after the expiry of the income year, the total income of the income year of the undivided family shall be assessed as if no partition has taken place; and each member or group of members of the family shall, in addition to any tax for which he or it may be separately liable, be jointly and severally liable for the tax on the income of the family so assessed [U/s 192(4)].

But, if the partition took place during the income year, the total income of the undivided family in respect of the period up to the date of partition shall be assessed as if no partition had taken place; and each member or group of members of the family shall, in addition to any tax for which he or it may be separately liable, be jointly and severally liable for the tax on the income of that period as so assessed [Sec

192(5)]. Notwithstanding anything contained in this section, if the Deputy Commissioner of Taxes finds after completion of the assessment of a Hindu undivided family that the family has already effected a partition, the tax shall be recoverable from every person who was a member of the family before the partition; and every such person shall be jointly and severally liable for tax on the income of the family in so assessed. [Sec 192(6)].

For the purposes of this section, the several liability of any member or group of members of a Hindu undivided family shall be computed according to the portion of the property of the undivided family allotted to him or it at the partition. The provisions of this section shall, so far as may be, apply in relation to the levy and collection of any penalty, interest, fine or other sum in respect of any period up to the date of the partition of a Hindu undivided family as they apply in relation to levy and collection of tax in respect of any such period [U/s 192(7-8)].

Assessment of Persons Leaving Bangladesh [Section 193]

If any person leaves Bangladesh during the current financial year or shortly after its expiry and if he has no intention of returning, an assessment may be made by the DCT in that year based on the total income of such person [U/s 193(1)] -

- ☐ if he has been previously assessed, for the period from the expiry of the last income year of which income has been assessed to the probable date of his departure from Bangladesh; and
- ☐ if he has not been previously assessed, of the entire period of his stay in Bangladesh up to the probable date of his departure.

Assessment under sub-section (1) shall be made [U/s 193(2)] -

- ☐ in respect of each completed income year included in the period referred to in sub-section (1), at the rate at which tax would have been charged had it been fully assessed; and
- ☐ in respect of the period from the expiry of the last of the completed income years to the probable date of departure, at the rate in force for the financial year in which such assessment is made and that financial year shall be deemed to be the assessment year in respect of the income of the said period.

For making an assessment under this section, the DCT may serve a notice upon the person concerned requiring him to file, within such time, not being less than seven days, as may be specified in the notice [U/s 91(3)]:-

- ☐ a return in the same form and verified in the same manner as a return under section 166 setting forth, along with such other particulars as may be required by the notice, his total income for each of the completed income years; and
- ☐ an estimate of his total income for the period from the expiry of the last income year to the probable date of his departure from Bangladesh.

All the provisions of this Section shall, so far as may be, apply to the notice under sub-section (3) for assessment of tax as if it were a notice under Sec 77. [U/s 193(4)].

Assessment of Income of a Deceased Person [Section 194]

If a person dies, his legal representative shall be liable to pay any tax which the deceased would have been liable to pay if he had not died, in the like manner and to the same extent as the deceased; and the legal representative of the deceased shall be deemed to be an assessee who has been duly served a notice to that effect by the DCT. For assessment of income of the deceased and recovery of tax [U/s 194(1-2)] -

- ☐ any proceeding taken against the deceased before his death shall be deemed to have been taken against the legal representative and may be continued from the stage at which it stood on the date of the death of the deceased; and
- ☐ any proceeding which could have been taken against the deceased, if he had not died, may be taken against the legal representative, and all the provisions of this Ordinance shall, so far as may be, apply accordingly.

However, the liability of a legal representative shall be limited to the extent to which the estate of the deceased is capable of meeting the liability. For the purposes of this section and other provisions of this Act in which the rights, interests, and liabilities of the deceased are involved, "legal representative" includes an executor, an administrator and any person administering the estate of the deceased. [U/s 194(3-4)].

Spot Assessment [Section 195]

The DCT may assess the tax liability of such person on the spot where-

- ☐ a person is found to have taxable income;
- ☐ required to submit tax return;
- ☐ required to comply with any provision of the Act; and
- ☐ the person failed to perform or comply with requirements of the Act [U/s 195(1)].

Commissioner of Taxes may empower any DCT who is subordinate to him to conduct spot assessments within his jurisdiction. The Board shall issue guidelines as to the manner how assessment under this section shall be made [U/s 195(2)].

16.4

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16.1

BAR TO QUESTION ASSESSMENT AND LIMITATION OF ASSESSMENT IN TERMS OF TIME

Bar to Question Assessment [Section 196]

Notwithstanding anything contained in any provision of this Act or in any other law for the time being in force, no authority except the income tax authority U/s 4, Tax Appellate Tribunal established under this Act, and Bangladesh Supreme Court, shall have right to raise any question regarding any assessment made under this Act [U/s 196(1)]. Any action taken in violation of the provision of sub-section (1) shall be null and void and have no legal effect [U/s 196(2)].

Limitation of Assessment in Terms of Time [Section 197]

If assessment is not done on regular basis in some specific situations, then it should be done within stipulated time as set in section 197. After that, assessment will not be

valid. To reduce unusual delay and make the assessment accurate enough, this section sets time within which the assessment should be completed. See exhibit 16.1.

Where, by an order under sections 213, 285, 289, 292, 294 or 295 any income is excluded from the total income of the assessee for an assessment year, an assessment of such income for another assessment year shall, for this section, be deemed to be one made in consequence of, or to give effect to, any finding or direction contained in the said order [U/s 197(5)]. Where, by an order under sections 213, 285, 289, 292, 294 or 295 any income is excluded from the total income of one person and held to be the income of another person, an assessment of such income of such other person, shall, for the purposes of this section, be deemed to be one made in consequence of, or to give effect to, any finding or direction contained in the said order [U/s 197(6)].

EXHIBIT

16.1

Time Frame of Different Assessment

Situations	Time Frame
▪ In case of return processing under section 181 [U/s - 197(1)(a)]-	Within two tax years from the end of the tax year in which the return is filed
▪ In case of return processing under section 182 [U/s - 197(1)(b)]	Within two tax years from the end of the tax year in which the return has been selected for audit u/s 182(1);
▪ In case of ordinary return processing [U/s - 197(1)(c)]	Within one tax year from the end of the tax year in which the return has been considered as ordinary return;
▪ Assessment under section 235 [U/s - 197(1)(d)]	within three years from the end of the tax year in which the said income was first assessable.
▪ Assessment under section 235 [U/s - 197(2)]	within two years from the end of the year in which notice under section 212(1) was issued
▪ Any order or assessment may be made on the assessee or any other person in consequence of any finding or direction contained in an order under sections 213, 285, 289, 292, 294 or 295, in the case of a firm, an assessment to be made on a partner of a firm in consequence of an assessment made on the firm, or an agreement reached u/s 304, shall be made [U/s - 197(3)]	Within thirty days from the date on which the order was communicated and such revised order shall be communicated to the assessee within thirty days next following.
▪ Where an order of assessment has been set aside by any authority in that case the assessment shall be made [U/s - 197(4)]	within sixty days from the date on which the order was communicated to him



Identify one basic feature of assessment procedure of (a) Spot assessment (b) Assessment of deceased person and (c) Best judgment assessment

If the DCT fails to give effect to any finding or direction contained in an order referred to in sub-section (3) within the period stipulated therein, such failure of the DCT shall be construed as misconduct [U/s 197(7)].

16.5

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16.1

ASSESSMENT: SOME OTHER BASIC ISSUES

- *Tax to be calculated to nearest taka (U/s - 331):* Amount of tax or of a refund shall be rounded to nearest taka (disregard if fraction is less than fifty poisha).
- *Receipts to be given (U/s - 332):* A receipt shall be given for any money paid or recovered as tax under this Ordinance.
- *Service of notice (U/s - 335):* A notice, an assessment order, a form of computation of tax or refund or any other document may be served on the person named therein either by registered post or in the manner provided for service of a summons issued by a Court under the Code of Civil Procedure, 1908 (Act V of 1908). Provided that where an authorized representative of the person as referred to in section 327 of this Act such delivery shall be construed as service of such notice or document on the person himself. The validity of any notice or of the service of any notice shall not be called in question after the return in response to the notice has been filed or the notice has been complied with [U/s - 335(3)]. The notice may be served to the persons as showed in exhibit 16.2.
- *Certain errors not to vitiate assessment, etc. (U/s - 336):* No assessment, order, notice, warrant or other document made, issued or executed, or purporting to be made, issued or executed, under this Act, shall be void or otherwise inoperative, merely for want of form, or for an error, defect or omission therein, if such want of form, error, defect or omission is not of a substantial nature prejudicially affecting the assessee.

16.6

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16.4

AUDIT PROCEDURE

Audit [Section 182]

Board or any authority authorized by the Board, following the procedures set by the Board, from the return submitted U/s 180 or revised return, may select and send any return to the concerned Tax Commissioner for audit purpose. The Tax Commissioner, within seven days from the date of getting the list, will appoint investigation team, audit team, and audit curator and send the order to such teams and the DCT on the day of signing the order. After getting the order under sub-section (2), within seven days from the date of order, the DCT will serve a notice to the concerned assessee and a copy of the notice will be sent to the investigation team [Section 182(1-3)]

EXHIBIT

Whom to Serve Notice

- in the case of a firm or a Hindu undivided family
- in the case of a local authority or a company
- in the case of other body or association of persons
- in a case where a firm or association of persons is dissolved
- in a case where a business is discontinued to which section 191 applies, if the business discontinued was—
 - that of an individual
 - that of a company
 - that of a firm or association of persons
- in case of partition of a Hindu Undivided Family
- in any other case, not being an individual

any member of the firm, or the manager or any adult male member of the family
principal officer
principal officer or any member thereof
any person who was a member of the firm or association

the person whose income is to be assessed
the principal officer
any person who was a partner of such firm or a member of such association
last manager or all adult members of the family.
the person who manages or controls the affairs of the person or institution concerned.

According to Section 182(4), each investigation team –

- ☐ Will investigate the information regarding the income, expenditure, assets, liability, transaction, financial statements and other records, public record, and information relevant to the parties related to the assessee;
- ☐ An investigation report concerned to the sources of income and its nature with detailed verification and confirmation, shall be sent to the audit curator;
- ☐ Within 60 days from the receipt of notice, the investigation report will be sent to the concerned DCT and a copy of the report will be sent to the audit curator;
- ☐ In case of the failure to submit the report as mentioned in (c), may apply to the DCT to extend the time. The concerned DCT may extend the time upto 60 days;

After submission of the investigation report, the audit team, based on audit manual set by the Board and guidelines, will conduct the audit procedure, and [Section 182(5)].

- ☐ will examine the compliance of this ACT and other relevant Acts;
- ☐ will do the following tasks through field visit, namely: -
 - Collect and verify books of accounts, receipts and payments account, buy-sale contract and other documents, any evidence, client, any other information issued or supplied by client or supplier;
 - Achieving an idea of the assessee's accounting and MHS;
 - Collection of any other relevant evidence, as the case may be.
- ☐ examine any statement or record of income, expenses, assets or liability;
- ☐ examine the nature and validity of the transactions;

- ☐ will further evaluate the investigation report submitted under sub-section (4);
- ☐ will take interview of the persons related to the assessee;
- ☐ instruct the assessee to submit written statement about any information or data;
- ☐ will collect and analyze all the relevant information, market information, financial information, and assessee's lifestyle related information.

Audit team will send the draft investigation report to the assessee and receive the written explanation from the assessee [Section 182(6)]. Audit team will submit the investigation report to the audit curator, within 300 days from the date of submitting investigation report under sub-section (4) and will include [Section 182(7)] –

- ☐ A statement (including the report of audit team) regarding the assessee's sources of income, assets, and liability and the verification and confirmation of its nature;
- ☐ Statement regarding the compliance of all applicable provisions;
- ☐ Comments on area of improvement in the compliance of the provisions and internal control of the assessee, in applicable cases.

Audit Curator, within 7 days of report submission by the Audit Team, [Sec 182(8)] -

- ☐ being satisfied on the following issues, will recommend the commissioner of taxes to conclude the audit procedure, namely-
 - Based on the audit report, the compliance of the Act and all the income, expenditure, and assets related information has been duly reflected in the return or revised return;
 - There is no scope to charge additional tax from the assessee;
- ☐ will give approval to the DCT to complete the audit procedure, if through the audit report it is found that-
 - Based on the audit report, the compliance of the Act and all the income, expenditure, and assets related information has not been duly reflected in the return or revised return;
 - Any other action should be taken against the assessee.

Getting the opinion of the Audit Curator, the Commissioner of Taxes will evaluate the case and within 7 working days after receiving the opinion, provide appropriate decision [Sec. 182(9)]. The DCT, within 7 working days after getting the approval from the Audit Curator, -

- ☐ will send the audit report to the assessee and a notice, reflecting the result of the audit, to submit a revised return, and pay the applicable taxes and other amounts on the basis of the revised return; and
- ☐ will perform any other tasks as instructed by the audit curator [Section 182(10)].

If the revised return is submitted by the assessee, and the DCT becomes satisfied that the results of the audit report has been duly addressed in the revised return and the payments have been made under sub-section (10), he will accept the revised return and send a letter to the assessee mentioning that the audit has been concluded and resolved [Section 182(11)].

The DCT may assess the income under section 183 or 184, as applicable, if the revised return is not submitted by the assessee against sub-section (10) or the results of the audit report has not been duly addressed in the revised return and the payments have not been made under sub-section (10) [Sec. 182(12)]. Tax cannot be determined under sub-section (12), unless-

- ☐ investigation and audit are ended;
- ☐ the assessee is notified about the audit report; and
- ☐ the revised return is not submitted by the assessee against sub-section (10) or the results of the audit report has not been duly addressed in the revised return and the payments have not been made under sub-section (10) [Section 182(13)].

A return/revised return submitted under sec 180 for a tax year showing total income at least 15% higher than the total income of the immediately preceding tax year cannot be selected for audit under sub-section (1) except in the cases set out below-

- ☐ return or amended return of any bank, insurance or finance company;
- ☐ any such return or amended return in support of which no bank statement has been filed in support of availing any type of loan exceeding Tk. 5 lac from any source other than banks and finance companies in the relevant year;
- ☐ any return or amended return showing total or partial tax-exempted income;
- ☐ any return or amended return showing such income to which the reduced rate of tax is applicable;
- ☐ any return or amended return in respect of which refund of tax is claimed or refund of tax is generated;
- ☐ Taxpayer-
 - fails to submit the necessary documents in respect of compliance with the provisions of Part 7 in the relevant year; or
 - is subject to audit under clause 176(3)(b) due to failure of full compliance with the notice sent under section 176(2);
 - fails to file return under section 177. [Sec. 182(14)].

According to Section 182(15), for the purposes of audit under this section, -

- ☐ The Commissioner of Taxes shall form teams in the following ways-
 - as many audit teams consisting of at least two auditors in a team;
 - as many investigation teams consisting of at least two Tax Inspectors in a team;
- ☐ The DCT and the Tax Inspector, in whose jurisdiction the assessee is registered, cannot be a member of the said audit or investigation team;
- ☐ Any audit team, if required, can take assistance from specialists or professional evaluators;
- ☐ Return cannot be selected for audit under sub-section (1), unless 60 days pass after the submission;
- ☐ The return shall be selected or approved for audit under sub-section (1) within the period not later than 2 years after the end of the tax year in which any return has been filed;

- ☐ All the report prepared under this section must be signed by all the members of the team;
- ☐ In case of computing “Shown 15% more income”, the sources shown in the return submission U/s 180 shall consider only those sources that have been shown in the previous assessment year;
- ☐ Auditor will be selected from the DCTs and Income Tax Authority, whose designation is not less than the assistant tax commissioner;
- ☐ Audit Curator, will be -
 - appointed by the commissioner of taxes from his subordinate assistant commissioner of taxes or joint commissioner of taxes; and
 - the key person to settle the selected audit case under this section in due time, drafting the audit calendar, drafting the audit plan; and
 - responsible to the commissioner of taxes, to fulfill the purpose of this section

Audit of the Return of Withholding Tax [Section 186]

The DCT, with the approval of the Commissioner, shall select a number of returns of withholding tax filed under section 177 for audit [Section 186(1)]. The DCT shall conduct the audit of the selected return in respect of the following matters-

- ☐ whether the tax has been deducted or collected at the rate, in the amount and in the manner as provided in Part VII of this Act and the rules made thereunder;
- ☐ whether the tax collected or deducted has been paid to the credit of the Government, or has been paid in accordance with the manner and within the time as prescribed;
- ☐ whether the certificate of tax deduction or collection has been furnished in accordance with the provisions of this Act [Section 186(2)].

Where an audit under sub-section (2) results in findings that the provisions of this Act in respect of the matters mentioned in the said sub-section (2) have not complied with, the DCT conducting the audit may take necessary actions under this Act, including the actions under sections 143, 144 and 266 [Section 186(3)].

To select return for audit under sub-section (1) and for its settlement, Board may, as it thinks appropriate, draft Mandatory Full Audit Manual. No return shall be selected for audit after the expiry of four years from the end of the year in which the return was filed [Section 186(4-5)].

16.7

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16.5

RECOVERY OF TAX

The procedure regarding recovery of income tax has been explained under the sections 214 to 222, Part 14 of the ITA, 2023. For the purposes of recovery, “tax” includes any sum imposed, levied or otherwise payable under this Act as penalty, fine, interest, delay interest, additional amount, fee or otherwise; and the provisions of this chapter shall accordingly apply to the recovery of any such sum. The details of other provisions are enumerated below:

Notice of Demand [Section 214]

- Where any tax is payable in consequence of any assessment made or any order passed under or in pursuance of this Act, the DCT shall serve upon the assessee a notice of demand in the prescribed form specifying therein the sum payable and the time within which, and the manner in which, it is payable, together with a copy of an assessment order [U/s 214(1)].
- Where any amount of tax is refundable in consequence of any order, the DCT shall specify in the notice referred to in sub-section (1) the sum refundable to the assessee together with a copy of an assessment order and a refund voucher unless such refund is set off against tax as per provision of section 225 [U/s 214(2)].
- The Deputy Commissioner of Taxes shall not set off without giving the assessee an opportunity of being heard [U/s 214(3)].
- Where the assessee, with a notice of demand under sub-section (1), makes an application in this behalf before the expiry of the date of payment specified in the notice, the DCT may extend the time for payment or allow payment by installments subject to such conditions, including payment of interest on the amount payable, as he may think fit in the situation of the case [U/s 214(4)].
- If the sum payable is not paid within the stipulated time under sub-section (1) or (4), the assessee shall be deemed to be in default [U/s 214(5)];
- If there is an appeal, the DCT will treat the assessee as not being in default till the appeal is not disposed of [U/s 214(6)].
- If, in a case where payment by installment has been allowed under sub-section (4), the assessee commits default in paying any one of the installments within the time fixed therefore, the assessee shall be deemed to be in default as to the whole of the amount then outstanding, and the other installment or installments shall be deemed to have been due on the same date as the installment in respect of which default has actually been committed was due for payment [U/s 214(7)].
- Where an assessee has been assessed in respect of income arising outside Bangladesh in a country the laws of which prohibit or restrict the remittance of money to Bangladesh, the DCT shall not treat the assessee as in default in respect of that part of the tax which is due in respect of such amount of income as cannot, by reason of the prohibition or restriction, be brought into Bangladesh, and shall continue to treat the assessee as not in default in respect of such part of the tax until the prohibition or restriction is removed [U/s 214(8)].
- For the purposes of this section, the income of an assessee will be considered as remitted to Bangladesh when the said income has been spent or could be spent for meeting any expenditure of the assessee in outside Bangladesh or has been brought into Bangladesh as capital or by any other means [U/s 214(9)].

Direct Collection or Return [Section 215]

Arrear taxes of an assessee may be collected through direct bank transfer to government's bank account from the bank account of the assessee. Any kind of refund must be transferred electronically to the bank account of the assessee [Section

215(1-2)]. Notwithstanding anything contained in this act or in any other act, where the return is submitted under self-assessment scheme, and after the processing of the said return by the DCT, if any refund is generated, it must be transferred within 60 days to the bank account of the assessee mentioned in the return. Board may draft relevant rules regarding the collection or refund of taxes through bank transfer, its procedure, condition, qualification and limit [Section 215(3-4)].

Certificate for Recovery of Tax [Section 216]

When an assessee is in default or is deemed to be in default in making payment of tax, the DCT may forward to the TRO a certificate for tax recovery, under his signature specifying the amount of arrears due from the assessee; and such certificate may be issued aside that proceedings for arrear recovery by any other mode have been taken [Sec 216(1)]. A certificate under sub-section (1) may be forwarded to [Sec 216(2)]-

- the Tax Recovery Officer within whose jurisdiction the assessee carried on his business or the principal place of business of the assessee is situate; or
- the Tax Recovery Officer within whose jurisdiction the assessee resides or any movable or immovable property of the assessee is situate; or
- the Tax Recovery Officer who has jurisdiction in relation to the assessee whose income is assessable by the DCT forwarding the certificate.

Various Modes of Recovery of Tax

- *Recovery of Tax by the Tax Recovery Officer [Section 217]*
 - In the case of default in payment of tax by an assessee, the DCT may forward the case to the concerned Tax Recovery Officer (TRO) to recover the arrear tax specified in the certificate by one or more of the following modes, namely –
 - attachment and sale, or sale without attachment, of any movable or immovable property of the assessee;
 - arrest of the assessee and his detention in prison;
 - appointment of a receiver for the management of the movable and immovable properties of the assessee.
 - While recovering the arrear tax under above sub-section, the TRO may also recover in the same manner from the assessee in default, in addition to such amount, any cost and charges, including expenses of the service of any notice or warrant, incurred in the proceedings for the tax recovery in arrears.
 - The TRO may also forward the recovery certificate to other TROs, if necessary.
- *Recovery of Tax through Collector of District [Section 220]*
 - The DCT may forward the case of default by an assessee, to the collector of district in which the office of the DCT is situate or the district in which the assessee resides or owns property or carries on business or profession, a certificate under his signature specifying the amount of arrears due from an assessee, and the Collector, on receipts of such certificate, shall proceed to

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recover from such person the amount specified therein as if it were an arrear of land revenue.

- For the purposes of recovery of the default tax, the Collector of District may also require the person to pay a deposit.
- The DCT or any other officer may recall the certificate back from the Collector of District under reasonable circumstances.

(c) **Under Section 216:** Notwithstanding to the issue of a certificate for recovery of tax under section 216 or section 221, the District Commissioner of Taxes may also recover the tax in the manner provided in sub-section (2) or (3).

- For the purpose of recovery of tax payable by an assessee which is not disputed or appeal to any appellate forum, the DCT may, with the previous approval of the Commissioner, after giving the assessee an opportunity of appearing, order the discontinuance of any goods and services from the business being carried on by the assessee and also shutdown such business premises till the payment of such tax and also such other satisfactory arrangement has been made for the recovery of such tax [U/s 221(2)].

- For the purposes of recovery of any tax payable by an assessee, the DCT may by notice in writing require any person [U/s 221(3)]:-

- from whom any money or goods are due or may become due to the assessee;
- who holds, or controls the receipt or disposal of, or may subsequently hold, or control the receipt or disposal of, any money or goods belonging to, or on account of, the assessee;
- who, on assessee's behalf, holds or direct any asset of the assessee;
- who, as an agent of the non-resident assessee, holds, or controls the receipt or disposal of, or may subsequently hold, or control the receipt or disposal of, any asset or goods belonging to, or on account of, the non-resident assessee;
- who is responsible for payment of any sum to the assessee classifiable as income of the assessee under the head "Employment";
- who is responsible for payment of any sum to the assessee classifiable as income of the assessee under the head "income from rent";

- A person who has paid any sum as required by sub-section (3) (a) shall be deemed to have paid such sum under the authority of the assessee and the receipt by the DCT shall constitute a good and sufficient discharge of the liability of such person to the assessee to the extent of the sum specified in the receipt [U/s 221(4)].

- If the person to whom a notice under sub-section (3) is sent fails to make payment or to make deductions in pursuance of the notice, he shall be deemed to be an assessee in default in respect of the amount specified in the notice and proceedings may be taken against him for realisation of the amount as if it were an arrear of tax due from him; and the provisions of this Chapter shall apply accordingly [U/s 221(5)].



- (a) State the modes of tax recovery by TRO from an assessee in default.
(b) Who will issue the Certificate of Recovery of Tax?

- The DCT may at any time amend or revoke any notice issued under sub-section (3) or extend the time for making any payment in pursuance of such notice [U/s 221(6)].
- who is responsible for supplying gas, electricity, water or any other services to disconnect or discontinue such supply within twenty one days from the date of receipt of such notice [U/s 221(7)].
- If the person to whom a notice under sub-section (6) is sent fails to comply in pursuance of the notice, he shall be deemed to be an assessee in default and will be liable personally to pay the arrear of tax due from him [U/s 221(8)].
- Where U/s 221(7), who is responsible for supplying gas, electricity, water or any other services to disconnect or discontinue such supply, shall reconnect such utility connection upon the approval of the DCT [U/s 221(9)].
- Where the Commissioner has directed that any arrears may be recovered by any process enforceable for the recovery of an arrear of any municipal tax or local rate imposed under any enactment in force in Bangladesh, the DCT may proceed to recover the amount due by such process [U/s 221(10)].
- The Commissioner may direct by what authority any powers/duties incident under any such enactment or the VAT and Supplementary Duties Act, 2012, the Customs Act, 1969 as aforesaid to the enforcement of any process for the recovery of a municipal tax or local rate shall be exercised or performed when that process is employed under the above sub-section [U/s 221(11)].

□ Simultaneous Steps taken to recover taxes [Section 222]

If any recovery process has taken under any prevailing Act or any provisions under this Act, it shall not become a barrier in taking any other steps to recover taxes under this Act or under the provisions of any other Act.

16.8

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REFUNDS

The provisions regarding entitlement to refund, claiming refund for deceased or disabled persons, and other related concerns of taxes refund are as follows:

- **Entitlement to Refund [Section 224]:** A person, who satisfies the income tax authority that he has paid more amount as tax than as it actually would be chargeable under the Ordinance, shall be entitled to a refund of any such excess. Where the income of the person is included under any provision of this Act in the total income of any other person, such other person alone shall be entitled to a refund under this chapter in respect of such income.
- **Adjustment of Refund against Tax [Section 225]:** Where under any provision of this Act, Income Tax Ordinance, 1984 or of the Gift-tax Act, 1963 or the Wealth-

- tax Act, 1963 a refund is due, the DCT may, in lieu of payment of refund, set off the amount in full or part against the sum, if any, payable under this Act, by the person and such adjustment will be considered as the refund.
- ☐ **Claim of Refund [Section 226]:** If any refund is not transferred electronically to the bank account of the assessee, the assessee may claim the refund according to the specified rules.
 - ☐ **Claim of Refund for Deceased or Disabled Persons [Section 227]:** Where through death, incapacity, insolvency, liquidation or other cause, a person, is unable to claim or receive any refund due to him, his legal representative, or the trustee, guardian or receiver, as the case may be, shall be entitled to claim or receive such refund for the benefit of such person or his estate.
 - ☐ **Correctness of assessment, etc., not to be questioned [Section 228]:** In any claim for refund under this Chapter, it shall not be open to the claimant to question the correctness or validity of any assessment or other matter which has become final and conclusive or to ask for a review of the same, and the claimant shall not be entitled to any relief on any such issue raised except refund of excess tax paid.
 - ☐ **Refund on the Basis of Orders in Appeal [Section 229]:** Where, as a result of any order passed in appeal or other proceeding under this Act, refund of any amount becomes due to an assessee, the Deputy Commissioner of Taxes shall, refund the amount, unless set off against tax or treated as payment of tax as per provisions of section 225, to the assessee, within sixty days from the date on which the refund has become due without his having to make any claim in that behalf.

KEY POINTS

- ☐ Assessment is not mere calculation rather is a process
- ☐ Once the return is filled up and calculated tax is paid accordingly, the assessee is required to submit the return to the DCT.
- ☐ Provisional assessment may be made at any time after the July 1 of the year in a summary manner.
- ☐ Spot assessment is conducted by the DCT for an assessee, not a company, if not assessed earlier and carrying business or profession in any commercial market.
- ☐ The DCT can conduct assessment after hearing (by sending a notice) where he has reason to believe that the return is false, incorrect or incomplete.
- ☐ DCT has discretion to make an assessment under best judgment procedure.
- ☐ Board or any authority authorized by the Board, may select and send any return u/s 180 or revised return to the concerned Tax Commissioner for audit purpose.
- ☐ If a person dies, his legal representative shall be liable to pay any tax which the deceased would have been liable to pay.
- ☐ The DCT may forward to the Tax Recovery Officer a certificate for recovery of the tax from an assessee who is an assessee in default.
- ☐ A person, who has paid more amount as tax than as it actually would be chargeable under the ITA, 2023, shall be entitled to a refund of any such excess.

MULTIPLE CHOICE QUESTIONS

1. Which section of the ITA, 2023 has explained the provision Self-Assessment?
(a) 180 (b) 182 (c) 183 (d) 184
2. If the assessment made by the DCT results more tax to be paid by the assessee, what action the DCT cannot follow –
(a) issue a demand notice (b) take legal actions
(c) can call him/her as 'assessee in default' (d) None of these
3. Assessee has no right to appeal against –
(a) Provisional assessment (b) Spot assessment
(c) Best judgment assessment (d) Assessment after hearing
4. Spot assessment is applicable for
(a) Individual (b) Large Company (c) Small establishment (d) HUF
5. Who fix the amount of tax payable by an assessee?
(a) Tax recovery officer (b) DCT
(c) Commissioner of taxes (d) Appellate tribunal
6. To whom notice is served in the case of a local authority or a company?
(a) CEO (b) Chairman (c) Lawyer (d) Principal officer
7. DCT should communicate tax liability in case of assessment after hearing within how many days with the assessee –
(a) 15 days (b) 21 days (c) 30 days (d) 45 days
8. Assessment on the basis of report of a Chartered Accountant is applicable for –
(a) Company (b) Individual (c) Firm (d) None
9. Where a refund due to an assessee is not paid within two months of the date of claim for refund, a simple interest will be payable to assessee at a simple interest rate of –
(a) 5% (b) 7.50% (c) 10% (d) 15%
10. Each investigating team for audit consists of minimum –tax inspector.
(a) 2 (b) 3 (c) 5 (d) 7

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Assessment is done in the income year.
2. Audit is mandatory for Self-Assessment.
3. If a person dies, his legal representative shall be liable to pay any tax of him/her.
4. No suit shall be brought in any Civil Court to set aside or modify any assessment made under income tax ordinance.
5. Company can appeal only to commissioner (appeal).

<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F

DISCUSSION QUESTIONS (DQ)

- DQ16.1 "Assessment cycle is the steps required to complete the full assessment process" – explain.
- DQ16.2 Explain different types of assessment with reference to different section of ITA, 2023.
- DQ16.3 Make a comparative discussion among provisional assessment, assessment on the basis of return and best judgment assessment.

Bangladesh Income Tax - Theory and Practice

- DQ16.4 What is self-assessment? Explain the procedure of self-assessment.
- DQ16.5 What is best judgment assessment? State a case best judgment assessment has to be made?
- DQ16.6 What is the assessment procedure for Hindu Undivided Family, Persons leaving Bangladesh, and Deceased person
- DQ16.7 Explain the role of investigation team in audit under section 182.
- DQ16.8 Write short note on:
- ☐ Spot assessment
 - ☐ Self-assessment
 - ☐ Assessment after hearing
- DQ16.9 Explain various modes relating to recovery of tax.
- DQ16.10 "A person who paid more amount as tax than as it actually would be entitled to a refund of any such excess" - explain.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
a	d	a	c	b	d	c	d	b	a

TRUE/FALSE

1	2	3	4	5
F	F	T	T	T

SELF - REVIEW 16.1

Spot assessment An assessee, other than a company, if not assessed earlier and carrying on any business or profession in any shopping centre or commercial market or having a small establishment, the Deputy Commissioner of Taxes may fix the tax payable by him.

Assessment of deceased person If a person dies, his legal representative shall be liable to pay any tax which the deceased would have been liable to pay.

Best judgment assessment The two cases where a best judgment assessment has to be made are, where any person fails;

(a) to file the return required by a notice under section 172 and has not filed a return or revised return under section 175; or

(b) to comply with the requirements of a notice under section 172, 175, 183 (3) & (5), 193 or 212.

SELF - REVIEW 16.2

1. By TRO

- ☐ attachment and sale, or sale without attachment, of any movable or immovable property of the assessee;
- ☐ arrest of the assessee and his detention in prison;
- ☐ appointment of a receiver for the management of the movable or immovable properties of the assessee.

2. The DCT

17

Assessment of Individuals

"The income tax created more criminals than any other single act of government."
— Barry Goldwater

Chapter Learning Objectives (CLOs)

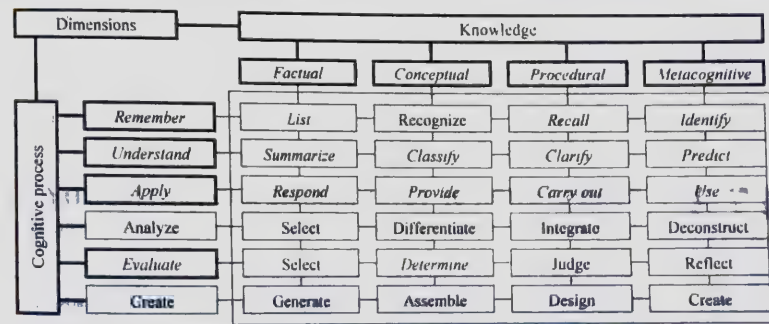
- On completion of this chapter, you will be able to:
- CLO 17.1 understand assessment of an individual taxpayer
- CLO 17.2 identify the scope of taxable income for an individual
- CLO 17.3 apply taxability on different income of an individual
- CLO 17.4 determine various heads of income for an individual
- CLO 17.5 apply TDS on individual's taxable income
- CLO 17.6 list non assessable income
- CLO 17.7 recall rebate on allowable investments
- CLO 17.8 compute tax liability for an individual assessee

KEY TERMS

Employment, Securities, Rental Income, Other sources, Agriculture, Business, Capital gain, Financial assets, Investment allowance, Spouse or minor child, Foreign income, TDS, Partnership profit,

Bloom's Taxonomy

This chapter covers the entire knowledge dimension and different component from four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



17.1

CLO
17.1

INTRODUCTION

An "individual" is the only human being among the assessee, enumerated in the Act. The term includes both a male and female. Every individual has to pay tax on the total income at the rate applicable for the assessment year. An assessee receives income in various capacities and requires to pay tax on all incomes in whatever capacity he/she receives them, unless otherwise stated in the Act. An assessee is required to pay tax on the income earned and also on the income that is deemed to accrue or arise to him/her.

17.2

CLO
17.2
17.4

SCOPE AND SOURCES OF TOTAL INCOME

The total income of an individual assessee is to be computed following the provisions of the Income Tax Act (ITA), 2023. According to the ITA, 2023, the scope of total income varies by the residential status of an assessee. Total income of a resident assessee includes [section 26(1)]:

1. income received or deemed to be received in Bangladesh;
2. income accrues or arises or deemed to accrue or arise in Bangladesh; and
3. income accrues or arises outside Bangladesh.

But for a non-resident, only the income received or deemed to be received and income accrues or arises or deemed to accrue or arise in Bangladesh is to be included in the total income. According to section 30 of the ITA, 2023, these incomes are classified and computed on the basis of seven sources. However, in the 'Specimen Form of Income Tax Return - IT GA (2023)' indicates following 10 heads of income.

- | | |
|----------------------------|-------------------------------------|
| 1. Income from Employment | 6. Income from Financial Assets |
| 2. Income from Rent | 7. Income from other sources |
| 3. Income from Agriculture | 8. Share of income from Firm or AOP |
| 4. Income from Business | 9. Income from Minor/Spouse |
| 5. Capital Gain | 10. Foreign Income |

While computing the income under the above heads, provisions regarding set-off and carry-forward, clubbing of incomes, exemptions and allowable deductions are considered for computing total taxable income under various heads. If the amount of total income exceeds minimum non-assessable limit, an individual has to pay income tax on the basis of specified rates. For the assessment year 2023-24, the limit of non-assessable income is Tk. 350,000 (in case of women, elderly citizens of more than 65 years old Tk. 400,000; for third gender, disable handicapped person, the limit is Tk. 475,000 and for gazetted wounded freedom fighters Tk. 500,000).

17.3

CLO
17.3
17.8

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY

In computing total income and tax liability for an individual assessee, following steps are required:

- Step 1: Determining the residential status of the individual.
- Step 2: Computing total income considering income under different heads after adjusting the exemptions and clubbing provisions.

- Step 3: Computing gross amount of tax liability at the prescribed rates.
- Step 4: Determining total amount of tax-credit income/investment allowance.
- Step 5: Computing tax rebate at the prescribed rates on allowable investments.
- Step 6: Compute net tax payable deducting tax rebate (step 5) and adjusting other relevant items, i.e., surcharge, TDS, advance payment of tax (if any).

17.4

CLO
17.6

NON-ASSESSABLE INCOME FOR AN INDIVIDUAL

Income which are not included in the computation of total income of an assessee, are non-assessable income. These incomes are specified in Part I of the Sixth Schedule of the ITA, 2023 and some are specified in different SROs. They are exempted and excluded from the computation of total income and subject to conditions, limits and qualifications mentioned therein. List of these incomes applicable for an individual assessee is enumerated below.

- ☐ Income of employees of tax-exempt organizations under Treaty [Para 1].
- ☐ Income of employees of Foreign Missions [Para 2].
- ☐ Pension from the government pension fund [Para 4].
- ☐ Gratuity upto Tk. 2.5 crore from the government approved gratuity fund [Para 5, 6].
- ☐ Receipt from recognized provident fund or approved superannuation fund of approved pension fund [Para 6].
- ☐ Payment received on Voluntary retirement [Para 8].
- ☐ Interest on pensioners' savings certificate, if the investment does not exceed Tk. 5 lac [Para 9].
- ☐ Special allowances or reimbursement of expenses to employees [Para 14].
- ☐ The portion of income received by a beneficiary of a trust or participant in a fund as part of the income of the trust or fund on which tax has been paid by the said trust or fund [Para 15].
- ☐ Income of a member of a Hindu Undivided Family (HUF), where tax is paid by the HUF [Para 16].
- ☐ Foreign Remittance through legal channel [Para 17].
- ☐ Income from Wage earners development bond, US dollar premium bond, US dollar investment bond, Euro premium bond, Euro investment bond, Pound sterling investment bond or Pound sterling premium bond [Para 18].
- ☐ Any income of an indigenous hill-man of the hill districts Rangamati, Bandarban and Khagrachari, which has been derived solely from economic activities undertaken within the said hill districts [Para 19].
- ☐ Agricultural income upto Tk. 2 lac subject to fulfillment of certain conditions [Para 20].
- ☐ Any income from certain software and IT business subject to certain conditions [Para 21].
- ☐ Any income derived from the export of handicrafts [Para 22].
- ☐ Manufacturing SME business income with yearly turnover not more than Tk. 50 lacs. The limit is Tk 70 lakh if the SME is owned by women [Para 24].

- [illegible]

In addition to the above items some more items have been declared as exempt through Section 10C of this book, the details of those items have been explained in the following chapters.

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TAX-CREDIT INCOME/INVESTMENT ALLOWANCES

TAX-CREDIT INCOME/INVESTMENT
As per section 24 of the I.T.A. 2003 a resident and non-resident Bangladeshi individual assessee will get tax rebate from the amount of tax payable on his total income. Here the "rebate amount" shall be the lesser of

- ☐ 14. of Total Income excluding any income on which a tax exemption or reduced rate or minimum tax rate is applicable.

According to Part C of the Sixth Schedule, the following items should be considered:

- ☐ Life Insurance Premium paid for the assessee, spouse or minor child, provided the maximum limit was Tk. 10% of the policy value
- ☐ Life Insurance Premium Paid by a Hindu Undivided Family to effect an insurance on the life of any one member of the family or the wife of any such member.
- ☐ Deduction from the salary of Government employee for deferred annuity
- ☐ A sum contributed to provident funds under the Provident Fund Act, 1926.
- ☐ Employees' provident fund contribution to a Recognized Provident Fund
- ☐ Amount contributed to National Social Security Fund
- ☐ Investment in National Life Insurance certificates as specified by NBR in Part
- ☐ Investment in National Pension Scheme (NPS) upto Tk. 120,000.
- ☐ Investment made secured with any stock exchange run under BSEC.
- ☐ Investment made in a hospital situated in outside of the city corporation
- ☐ Investment made in a trust set up for the welfare of retarded people

SELF-REVIEW
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1. The first step is to identify the problem or goal.

- ☐ Donation to government approved Zakat Fund
- ☐ Contribution to Benevolent Fund and Group Insurance Scheme
- ☐ Contribution to Philanthropic or Educational Institution approved by the government
- ☐ Contribution to a national level institution set up in memory of liberation war
- ☐ Contribution to a national level institution in memory of Father of the Nation
- ☐ Contribution to Ahsania Mission Cancer Hospital.
- ☐ Contribution to ICDDR
- ☐ Contribution to C.R. Shavar.
- ☐ Contribution to Asiatic Society
- ☐ Any other investment if specified by the NBR through SROs

CLO
172
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GROSSING UP OF INCOMES

There are some incomes on which a certain percentage (in most of the cases, 10%) tax is deducted at source. To include those incomes in the total income, grossing up is necessary. The following formula is used to gross up the incomes.

$$\text{Gross income} - \text{Net income} \times [100 - (100 - \text{Rate of tax deducted at source})]$$

Some of these incomes are as follows:

- ☐ Net interest received on Taxable Govt. Securities or debentures.
- ☐ Interest/Profit on bank deposits.
- ☐ Dividend income
- ☐ Interest on post office savings deposit

CLO
15.9
15.7

TAX COMPUTATION IN CASE OF FILING OF RETURN

Regarding Payment of Income Tax and Surcharge on or before the date of filing return [Section 173]

Every person who is required to file a return under section 166, 172, 175, 191, 193 or 212 shall pay the tax payable on or before the date of filing of the return [Sec 173(1)]. The tax payable shall be calculated in accordance with A - B rules, where,

- ☐ A = tax payable by the taxpayer on the basis of the return or under the provisions of sub-section (5) of section 163, whichever is higher;
- ☐ B = Tax paid at source or advance tax as per the provisions of Part-7

The amount paid under sub-section (1) shall be deemed to have been paid as tax payable by the taxpayer after assessment of regular tax. If any person, without reasonable cause, fails to pay the tax payable under sub-section (1), he shall be deemed to be a defaulting taxpayer.

Computation of Tax in case of Filing of Return after the Tax Day [Section 174]
If any such taxpayer who requires to file return under section 166 fails to file the return within the Tax Day, without prejudice to the liability arising under other provisions of this Act, the tax of the tax payer shall be assessed and paid as following the formula,

$$A = B + (B - C) \times D \times 0.02,$$

Where,

- ☐ A = Total amount of tax payable,
- ☐ B = Total amount of tax the assessee would have paid if he had submitted the return by Tax Day, provided that
 - the tax exempted income shall be included in the total income and shall be taxed at the regular rate; and
 - shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest,
- ☐ C = Sum of advance tax and TDS paid by the taxpayer in the said income year;
- ☐ D = Number of months determines as under, namely:
 - the number of months after the expiry of the Tax Day which shall not exceed 24; and
 - a fraction of a month shall also be counted as a full 1 month.

EXHIBIT

17.1

Specimen form of computation of total income

Assessee:	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Particulars of Income		
1. Income from Employment (annex Schedule 1)		
2. Income from Rent (annex Schedule 2)		
3. Income from Agriculture (annex Schedule 3)		
4. Income from Business (annex Schedule 4)		
5. Income from Capital Gain		
6. Income from Financial Assets (Bank Interest, Dividend, Securities Profit etc)		
7. Income from Other Sources (Royalty, License Fees, Honorarium, Govt. Incentive etc.)		
8. Share of Income from Firm or AoP		
9. Income of Minor or Spouse (if not Taxpayer)		
10. Taxable Income from Abroad		
11. Total Income (Aggregate of Serial 1 to 10)		

Tax Computation

	Taka
12. Gross Tax on Taxable Income	XX
13. Tax Rebate (annex Schedule 5)	XX
14. Net Tax after Rebate (12 - 13)	XX
15. Minimum Tax	XX
16. Tax Payable (Higher of 14 and 15)	XX
17. (a) Net Wealth Surcharge (if applicable)	XX
(b) Environmental Surcharge (if applicable)	XX
18. Delay Interest, Penalty or any other amount Under Income Tax Act (if any)	XX
19. Total Amount Payable (16 + 17 + 18)	XX

Particulars of Tax Payment

	Taka
20. Tax Deducted or Collected at Source (attach proof)	XX
21. Advance Tax paid (attach proof)	XX
22. Adjustment of Tax Refund (mention assessment year(s) of refund)	XX
23. Tax Paid with this Return	XX
24. Total Tax Paid and Adjusted (20 + 21 + 22 + 23)	XX
25. Excess Payment (24 - 19)	XX
26. Tax Exempted / Tax Free Income (attach proof)	XX

Calculation of Tax liability

	Tk.	Rates	Tk.
On first	350,000	0%	-
On next	100,000	5%	XX
On next	400,000	10%	XX
On next	500,000	15%	XX
On next	500,000	20%	XX
On remaining balance	XX	25%	XX
Total	XX		XX

Less: Tax rebate on income from partnership firm/AOP	(XX)
Less: Double taxation relief	(XX)
Less: Investment tax credit	(XX)
Net Tax Liability	XX
Add: Surcharge	XX
Less: Tax deducted at source/Advance taxes	(XX)
Less: Tax Refund adjustment	XX
Net Amount to be paid with Return	XX

Notes:

- In case of women, elderly citizens of more than 65 years old, the maximum non-assessable limit of total income is Tk. 400,000, third gender and disable persons Tk. 475,000, and for gazetted wounded freedom fighters Tk. 500,000.

2. The parents / legal guardian of disable child / dependent will enjoy additional non-assessable income of Tk. 50,000 for each disable child / dependent. Among parents, only one will be eligible for this benefit.
3. The minimum tax would be Tk. 5,000 (Dhaka & Chittagong City corporation area); Tk. 4,000 (Other City Corporation area) and Tk. 3,000 (Other area).
4. Individual assessee having net wealth exceeding Tk. 4 (four) crore as per wealth statement is liable to pay surcharge as per the Finance Act, 2023. For the assessment year 2023 - 2024 surcharge is applicable as follows:

Net Wealth Amount	Rate
Up to Tk. 4 crore	Nil
> Tk. 4 crore to Tk. 10 crore or, having multiple motor cars under one name or, having > 8000 sq. ft house in city corporation area	10%
> Tk. 10 crore to Tk. 20 crore	20%
> Tk. 20 crore to Tk. 50 crore	30%
> Tk. 50 crore	35%

Additional 2.5% surcharge is applicable on a taxpayer's income from Cigarette, Biri, Jorda, Gul and other tobacco made products manufacturing business.

5. Individual assessee having multiple motor cars has to pay an environmental protection surcharge from the fiscal year 2023-24 according to the following rates:

Nature of Motor Vehicle	Environmental protection surcharge
Upto 1500 cc or 75 kilowatt	Tk. 25,000
Exceeding 1500 cc but not more than 2000 cc Exceeding 75 Kw but not more than 100 Kw	Tk. 50,000
Exceeding 2000 cc but not more than 2500 cc Exceeding 100 Kw but not more than 125 Kw	Tk. 75,000
Exceeding 2500 cc but not more than 3000 cc Exceeding 125 Kw but not more than 150 Kw	Tk. 150,000
Exceeding 3000 cc but not more than 3500 cc Exceeding 150 Kw but not more than 175 Kw	Tk. 200,000
Exceeding 3500 cc or 175 Kw	Tk. 350,000

Note: Between two or more cars, the tax will be imposed on the higher CC car.



Gross up the following incomes:

- (a) Interest on taxable government securities Tk. 7,600 if TDS rate is 5%.
(b) Interest on post office savings bank Tk. 9,000.

SOLVED PRACTICAL CASES (SPC)

SPC
17.1

ALLOWABLE INVESTMENTS, COMPUTATION OF NET TAX LIABILITY

From the following information calculate taxable income and tax liability of Mr. Anis for the current income year. He reported total net wealth of Tk. 2 crores at the end of the year. Mr. Anis also paid advance tax of Tk. 30,000 when renewed papers of his personal car. In the previous year, Mr. Anis paid Tk. 20,000 excess tax than required.

Income data: Income from employment Tk. 1,050,000; from rent Tk. 360,000; from agriculture Tk. 80,000; from business Tk. 525,000; capital gain Tk. 20,000; from financial assets Tk. 65,000; and income from other sources Tk. 45,000. Total tax deducted from relevant sources during the year is Tk. 69,490.

Investments and expenses data: Insurance premium – own (policy value Tk. 820,000) Tk. 80,000 and spouse (policy value Tk. 500,000) Tk. 55,000; deposited to pension scheme per month Tk. 2,000; educational expense of son Tk. 84,000; household expenses Tk. 158,000; donated to recognized fund Tk. 100,000; purchase of savings certificate Tk. 40,000; purchase of treasury bond Tk. 25,000; purchase of magazines and books Tk. 4,500; purchase of 10% debenture Tk. 10,000 (through IPO); donated to: Muktijuddho Jadughar Tk. 45,000, recognized high school Tk. 30,000, a local sporting club Tk. 10,000, a local Orphanage Tk. 15,000, recognized welfare fund Tk. 3,600, government zakat fund Tk. 15,000; gift to wife Tk. 25,000; purchased share of an unlisted company, a co-operative society, a private limited company, a registered partnership firm, primary share of a listed company, and a listed company from Dhaka Stock Exchange for Tk. 25,000, Tk. 10,000, Tk. 5,000, Tk. 3,000, Tk. 15,000, and Tk. 30,000; donated to Bangladesh Sports Development Council Tk. 8,000; donated to president's relief fund Tk. 50,000; advance payment for expenses Tk. 10,000; and purchase of a desktop computer Tk. 45,000.

Assessee: Anis	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Particulars of Total Income	Section	Amount
Income from employment	32	Tk. 1,050,000
Income from rent	35	360,000
Income from agriculture	40	80,000
Income from business	45	525,000
Capital gain	57	20,000
Income from financial assets	62	65,000
Income from other sources	66	45,000
Total income		Tk. 2,145,000
Tax computation and Payment		
Gross tax before tax rebate (workings)		Tk. 293,750
Less: Tax rebate (Schedule 5)		64,350
Net tax after tax rebate (a)		229,400

Minimum tax (b)

Net amount payable [higher of (a) and (b)]

Add: Surcharges - Net Wealth Surcharge (N/A)

Environmental Surcharge (N/A)

Add: Interest, fine, or any other payment under ITA, 2023

Total Amount Payable

Less: Payments -

- Tax deducted or collected at source
- Advance tax paid
- Adjustment of tax refund (if any, mentioning the year)
- Amount paid with return [Balancing Figure]

Total amount paid and adjusted (a + b + c + d)

Deficit or excess

Tk. 69,490
30,000
20,000
109,910

Tk. 229,400
Tk.

Schedule 5

Particulars of tax credit/rebate

- Insurance premium - own (maximum limit: 10% of Tk. 820,000)
- Insurance premium - spouse (maximum limit: 10% of Tk. 500,000)
- Deposit pension scheme (2,000 X 12)
- Donation to recognized fund
- Purchase of savings certificate
- Purchase of Treasury bond
- Purchase of debenture through IPO
- Donation to Muktijuddho Jadughar
- Donation to recognized high school
- Donation to recognized welfare fund
- Donation to government zakat fund
- Purchase of listed company's primary share
- Purchase of listed company's shares from DSE
- Donation to president relief fund

Amount
Tk. 80,000
50,000
24,000
100,000
40,000
25,000
10,000
45,000
30,000
3,600
15,000
15,000
30,000
50,000
Tk. 517,600

Tax Rebate

- 3% of total income* (Tk. 2,145,000 @ 3%)
- 15% on total investment allowance (Tk. 517,600 @ 15%)
- Tk. 1,000,000

Tk. 64,350	Lower of
Tk. 77,640	A, B, and C,
Tk. 1,000,000	i.e., Tk. 64,350.

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 295,000	Total (Tk.)
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%	
Tax	-	5,000	40,000	75,000	100,000	73,750	293,750

Notes: (1) Surcharge is applicable if net wealth worth above 4 crore. (2) It is assumed that incomes from different sources represents taxable income from those heads. (3) Donation to any recognized area is allowable investment. (4) Personal expenses and gifts are not allowable for tax credit. (5) It is assumed that the capital gain was realized within five years from the date of asset acquisition. Thus, it was taxed applying regular rates.



INCOME FROM DIFFERENT SOURCES, TDS, MINIMUM TAX

Mr. Noman is an executive of a Dhaka based organization. Details of his income for the current income year is provided below to compute his net tax liability for the year.

- Income data: Mr. Noman received basic salary (BS) Tk. 8,000 per month, house rent allowance 62.50% of BS, conveyance allowance 12.50% of BS, mobile bill allowance Tk. 500 per month, two festival bonus each equal to Tk. 10,000, commission Tk. 22,000 and overtime allowance Tk. 30,000 for the year. His income from a sole proprietorship business is Tk. 168,000, dividend from a limited company Tk. 5,400, interest from bank deposit Tk. 9,000, and interest from debentures Tk. 7,600.
- Investments and expenses data: Life insurance premium paid Tk. 20,000 (policy value Tk. 200,000), purchased furniture for Tk. 15,000, and made a gift to wife Tk. 20,000. He investment Tk. 60,000 in primary shares of a listed companies and Tk. 30,000 in savings certificate. He also donated Tk. 30,000 to Apollo hospital, Tk. 2,000 to a local club, Tk. 5,000 to a local mosque, Tk. 5,000 to government zakat fund, and Tk. 10,000 to a charitable hospital.

Assessee: Noman	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Calculation of taxable income	Amount	Amount
1. Income from Employment (section 32)		
Basic salary (8,000 × 12)	Tk. 96,000	
House rent allowance (62.50% of BS)	60,000	
Conveyance allowance (12.50% of BS)	12,000	
Mobile bill allowance (500 × 12)	6,000	
Festival bonus (10,000 × 2)	20,000	
Overtime allowance	30,000	
Commission	22,000	
Total income from employment		Tk. 246,000
Less: Exempted - Lower of 1/3 rd of total salary income		82,000
i.e. (Tk. 246,000 ÷ 3) = Tk. 82,000 and Tk. 450,000		
		Tk. 164,000
2. Income from Business (section 45)		
Income from sole proprietorship business		168,000
3. Income from financial assets (section 62)		
Dividend income (5,400 × 100 ÷ 90)	Tk. 6,000	
Bank interest (9,000 × 100 ÷ 90)	10,000	
Interest from debentures (7,600 × 100 ÷ 95)	8,000	
		24,000
Total taxable income		Tk. 356,000

Tax computation and Payment

Gross tax before tax rebate (workings)

Less: Tax rebate (Schedule 5)

Net tax after tax rebate (a)

Minimum tax (b)

Net amount payable [higher of (a) and (b)]

Add: Surcharges

Net Wealth Surcharge (N/A)

Environmental Surcharge (N/A)

Add: Interest, fine, or any other payment under ITA, 2023

Total Amount Payable (note 1)

Less: Payments -

a. Tax deducted or collected at source (note 2)

b. Advance tax paid

c. Adjustment of tax refund (if any, mentioning the year)

d. Amount paid with return [Balancing Figure]

Total amount paid and adjusted (a + b + c + d)

Deficit or excess

Tax exempted income

Schedule 5

Particulars of tax credit/rebate

1. Life insurance premium

2. Share purchase

3. Investment in savings certificate

4. Donation to charitable hospital

5. Donation to Zakat fund

Total

Tax Rebate

A. 3% of total income* (Tk. 356,000 @ 3%)

B. 15% on total investment allowance (Tk. 125,000 @ 15%)

C. Tk. 1,000,000

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 6,000	Total Tk. 356,000
Rate	@ 0%	@ 5%	-
Tax (Tk.)	-	300	300

Notes: (1) Since his calculated tax liability is negative but has taxable income, he has to pay minimum amount of tax. (2) Tax deducted at source includes Tk. 400 on debenture interest, 1,000 on bank interest, and Tk. 600 on dividend.



PARTIAL AGRICULTURAL INCOME, TDS

Mr. Akram is an executive of a private firm. Compute his taxable income and tax liability for the current income year considering actual allowable investment of Mr. Akram for the income year was Tk. 150,000. His sources of income include:

- ☐ Basic salary (BS) Tk. 33,000 per month; festival bonus equivalent to two months BS; house rent allowance Tk. 15,000 per month; entertainment allowance @ 5% of BS; medical allowance Tk. 3,800 per month (actual annual expense Tk. 18,000); conveyance allowance Tk. 1,500 per month; contribution to recognized provident fund both by employee and employer @ 10% of BS.
- ☐ Sale of - crops Tk. 150,000, tea Tk. 80,000, fish of pond Tk. 170,000.
- ☐ Interest on fixed deposit Tk. 27,000; dividend received Tk. 9,000; and income from lease of non-agricultural land Tk. 40,000.
- ☐ His net wealth amount during the year was Tk. 5 crore.
- ☐ TDS on salary Tk. 12,000.

Assessee: Akram	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024	
Computation of taxable income	Amount	Amount	Amount
1. Income from Employment (section 32)			
Basic salary (33,000 × 12)	Tk. 396,000		
Festival bonus (33,000 × 2)	66,000		
House rent allowance (15,000 × 12)	180,000		
Entertainment allowance (5% of BS)	19,800		
Medical allowance (3,800 × 12)	45,600		
Conveyance allowance (1,500 × 12)	18,000		
Employer's contribution to RPF	39,600		
		Tk. 765,000	
Less: Exempted - Lower of 1/3 rd of total salary income [i.e. (Tk. 765,000 ÷ 3) = Tk. 255,000] and Tk. 450,000		255,000	Tk. 510,000
2. Income from Agriculture (section 40)			
Sale of crops	Tk. 150,000		
Income from sale of tea (60%)	48,000		
	198,000		
Less: admissible expenses - Production cost (note 3)	90,000		108,000
3. Income from Business (section 45)			
Income from sale of tea (40%)			32,000
4. Income from financial assets (section 62)			
Interest from fixed deposit (27,000 × 100 ÷ 90)	Tk. 30,000		
Dividend income (9,000 × 100 ÷ 90)	10,000		40,000
5. Income from other sources (section 66)			
Income from sale of fish of pond	Tk. 170,000		
Lease of nonagricultural land	40,000		210,000
Total taxable income			Tk. 900,000

Example 1: Zakaria Rahman

Tax computations and Payments

Gross tax income for Zakaria Rahman

Less: Tax exempt income

Net taxable income

Less: Exempt income (section 32)

Net taxable income (section 32)

Less: Exempt income (section 32)

Net taxable income (section 32)

Less: Exempt income (section 32)

Net taxable income

Less: Exempt income

Net taxable income

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Less: Exempt income

Net taxable income

Less: Exempt income

Net taxable income

Less: Exempt income

Net taxable income



CAPITAL GAIN VACANCY ALLOWANCE

Example 2: Zakaria Rahman for the current income year

Example 3: Zakaria Rahman for the current income year

Example 4: Zakaria Rahman for the current income year

Example 5: Zakaria Rahman for the current income year

Example 6: Zakaria Rahman for the current income year

Example 7: Zakaria Rahman for the current income year

Example 8: Zakaria Rahman for the current income year

Example 9: Zakaria Rahman for the current income year

Example 10: Zakaria Rahman for the current income year

Example 11: Zakaria Rahman for the current income year

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- Prof. Rahman has a house at Barani consisting of four flats. The whole house has been let out to an advertising firm for Tk. 10,000 per month. The municipal value of the house is Tk. 600,000. Expenses relating to the house for the year includes repair and maintenance expenses Tk. 20,000, collection charge Tk. 2,000 per month, municipal tax Tk. 10,000, WASA charge Tk. 9,000, interest on borrowed capital Tk. 6,000, insurance premium paid Tk. 8,000. One of the flats remained vacant for two months during the year with profit.
- He received profit from a partnership firm Tk. 250,000; interest on bank deposit Tk. 9,000; honorarium as visiting faculty of AUB for a semester (4 months semester) Tk. 15,000 per month; income from lease of agricultural land Tk. 35,000. He generated capital gain of Tk. 80,000 by sale of a public limited company's share and Tk. 200,000 by sale of his personal motor car.

Assessee: Zakaria Rahman	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024	
Calculation of taxable income	Amount	Amount	Amount
1. Income from Employment (section 32)			
Basic salary (60,000 × 12)	Tk. 720,000		
Dearness allowance (2,000 × 12)	24,000		
Medical allowance (2,500 × 12)	30,000		
Rent free accommodation	300,000		
Employer's contribution to RPF	72,000		
Car facilities (monthly @ Tk. 10,000)	120,000	Tk. 1,266,000	
Less: Exempted income (note 1)		422,000	Tk. 844,000
2. Income from Rent (section 35)			
Actual rental value (ARV: 60,000 × 12)	Tk. 720,000		
Municipal value (MV)	600,000		
Annual value (AV: higher of ARV and MV)	720,000		
Vacancy Allowance (note 2)	(30,000)		
Total Rental Value (TRV)		Tk. 690,000	
Less: Admissible expenses -			
Repair & maintenance (30% of TRV)	Tk. 207,000		
Municipal tax	10,000		
Interest on borrowed capital	6,000		
Insurance	8,000	231,000	459,000
3. Income from Agriculture (section 40)			
Income from lease of agricultural land			35,000
4. Capital Gain (section 57)			
Sale of Share	Tk. 80,000		
Less: exemption (full)	80,000		-
5. Income from financial assets (section 62)			
Interest on bank deposit (9,000 × 10 ÷ 9)			10,000
6. Income from other sources (section 66)			
Honorarium as faculty (15,000 × 4)			60,000

Income Tax-3(A)

7. Share of Profit in a Partnership Firm

Total taxable income

Notes: (1) Losses of 13% of total salary income [i.e. Tk. 12,66,000 - 3% Tk. 422,000] and Tk. 450,000 (2) Vacancy allowance is for two months of the vacant portion computed as (720,000 ÷ 4 × 2 = 120) (3) No capital gain is considered for personal property. So, capital gain by sale of personal motor car need not to be disclosed



SALARY SCALE, CONCESSIONAL ACCOMMODATION, WEALTH SURCHARGE

Mr. R. Sarkar is a professor. His particulars for the current income year are: He received basic salary (BS) of Tk. 40,000 in the first month of the income year under the salary scale 36,000 - 4,000 - 56,000. Date of annual increment of his salary is 1st December. He is entitled to receive 10% of BS as medical allowance, 5% as dearness allowance, and Tk. 2,000 per month as conveyance allowance. He received two festival bonuses during the year (each equal to one month's BS), both bonuses were received after increment of the year. He is also entitled to receive concession rate accommodation (annual rental value Tk. 240,000) and a 1700cc full-time car. His employer charged him Tk. 3,000 per month for the accommodation facility. He and his employer contribute 10% of his BS to the recognized provident fund. TDS on Salary Tk. 24,000.

During the year Mr. Sarkar generated income from the sale of Jute Tk. 50,000 and sale of rice Tk. 300,000. He failed to show any record relating to production cost but claimed repair of agricultural equipment Tk. 7,000; land development tax Tk. 2,000; allowable depreciation Tk. 10,000; and cultivation cost Tk. 60,000 as production cost.

His other particular of income includes, share of profit from partnership firm Tk. 80,000; losses from sole proprietorship business Tk. 7,300; honorarium received by writing articles in newspaper Tk. 9,000; income from mooring terminal Tk. 1,400; dividend received Tk. 28,800; and interest on bank deposit Tk. 3,870. Mr. Sarkar made and incurred the investments and expenses during the said year for: life insurance premium paid Tk. 60,000 (policy value Tk. 500,000); donation to employee's welfare fund Tk. 10,000, share purchase through IPO Tk. 60,000 and from DSE 20,000; donation to religious institutions Tk. 5,000, to government Zakat fund Tk. 16,000, and DPS monthly @ Tk. 15,000; purchase of gold Tk. 20,000 and contribution to group insurance Tk. 2,000. Calculate taxable income and net tax liability for Mr. Sarkar assuming that during the income year his total net asset amount is Tk. 10.5 crore.

Assessee: R. Sarkar	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Calculation of taxable income	Amount	Amount
1. Income from Employment (Schedule 1)		Tk. 714,000
2. Income from Agriculture (section 40)		
Sale of Jute	Tk. 50,000	
Sale of rice	300,000	Tk. 350,000
Less admissible expenses (350,000 × 60%)		210,000
		140,000

250,000
Tk. 1,658,000

3. Income from Business (section 45)		
Losses from sole proprietorship business		(7,300)
4. Income from Financial Assets (section 62)		
Dividend (28,800 × 100 - 90)	Tk. 32,000	
Interest on bank deposit (3,870 × 100 - 90)	4,300	36,300
5. Income from other sources (section 66)		
Income from writing article in newspaper	Tk. 9,000	
Income from mooring terminal	1,400	10,400
6. Share of Profit in a Partnership Firm		80,000
Total taxable income		Tk. 973,400

Tax computation and Payment

Gross tax before tax rebate (workings)	Tk. 63,510
Less: Tax rebate (Schedule 5 and note 2, i.e., Tk. 29,202 + Tk. 5,216)	34,418
Net tax after tax rebate (a)	29,092
Minimum tax (b)	5,000
Net amount payable [higher of (a) and (b)]	29,092
Add: Surcharges - Net Wealth Surcharge (29,092 × 20%)	5,818
Add: Interest, fine, or any other payment under ITA, 2023	-
Total Amount Payable	34,910
Less: Payments -	
a. Tax deducted or collected at source	Tk. 27,630
b. Advance tax paid	-
c. Adjustment of tax refund (if any, mentioning the year)	-
d. Amount paid with return [Balancing Figure]	7,280
Total amount paid and adjusted (a + b + c + d)	34,910
Deficit or excess	Tk. -
Tax exempted income	Tk. 357,000

Schedule 1

Particulars of Income from Employment	Amount	Amount
Basic salary [(40,000 × 5) + (44,000 × 7)]	Tk. 508,000	
Medical allowance (508,000 × 10%)	50,800	
Dearness allowance (508,000 × 5%)	25,400	
Conveyance allowance (2,000 × 12)	24,000	
Festival bonus (44,000 × 2)	88,000	
Conveyance facilities (10,000 × 12)	120,000	
Concession rate accommodation (note 5)	204,000	
Employer's contribution to RPF	50,800	
Total salary received		Tk. 1,071,000
Less: Exempted (as per Part 1 of 6 th Schedule) - Lower of 1/3rd of total salary income i.e. (Tk. 10,71,000 ÷ 3) = Tk. 357,000 and Tk. 450,000		357,000
		Tk. 714,000

Schedule 5

Particulars of tax credit/rebate

1. Life insurance premium (Max limit 10% of PV)	
2. Contribution to welfare fund	
3. Share purchase	
4. Donation to zakat fund	
5. DPS (Max Tk. 120,000)	
6. Group insurance premium	
7. Employer & Employee's contribution to RPF (50,800 × 2)	
Total	

Amount
Tk. 50,000
10,000
80,000
16,000
120,000
2,000
101,600
Tk. 379,600

Tax Rebate

- A. 3% of total income* (Tk. 973,400 @ 3%)
 B. 15% on total investment allowance (Tk. 379,600 @ 15%)
 C. Tk. 1,000,000

Tk. 29,202	Lower of
Tk. 56,940	A, B, and C,
Tk. 1,000,000	i.e., Tk. 29,202

*excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 123,400	Total (Tk.) 973,400
Rate	@ 0%	@ 5%	@ 10%	@ 15%	-
Tax	-	5,000	40,000	18,510	63,510

Notes: (1) As proper books of account have not been maintained by the assessee, 60% of sales proceeds is treated as admissible expense. (2) On the profit from partnership firm, rebate is allowable at an average rate which is 6.52% [63,510 ÷ 973,400 × 100]. Therefore, total rebate is Tk. 5,216 [80,000 × 6.52%]. (3) Tax deducted at source includes Tk. 24,000 on salary, Tk. 3,200 on dividend income and Tk. 430 on interest on bank deposit. (4) 20% surcharge on tax for net wealth of Tk. 10.5 crore (29,092 × 20%) has been charged. (5) Income from concessional accommodation is Tk. 240,000 less employee's contribution Tk. 36,000.



INCOME FROM TOBACCO BUSINESS, RETURN SUBMISSION AFTER TAX DAY

Calculate taxable income for Mr. Zakaria Rahman (66 years old) for the current income year considering the following details of his income for the year.

- ☐ Income from Employment Tk. 600,000 (including employer's contribution to RPF Tk. 20,000); after deducting the exempted amount of Tk. 300,000.
- ☐ Rental Income Tk. 300,000;
- ☐ Income from Agriculture Tk. 300,000;
- ☐ Income from Tobacco Manufacturing Business Tk. 200,000;
- ☐ Income from financial assets (Interest on Sanchaypatra Tk. 40,000)
- ☐ Income from other sources (Sale of tree) Tk. 60,000
- ☐ Mr. Rahman made and incurred the investments and expenses during the said year for: life insurance premium paid Tk. 60,000 (policy value Tk. 500,000); Purchase of Savings Certificate Tk. 600,000; and DPS monthly @ Tk. 12,000.
- ☐ He paid Tk. 5,000 excess tax in the previous assessment year.

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- ☐ During the income year his total net asset amount is Tk. 4.5 crore; and TDS on salary and sanchaypatra interest Tk. 10,000 and Tk. 4,000 respectively.

Calculate taxable income and net tax liability for Mr. Sarkar (a) assuming that he has submitted tax return within the Tax Day; (b) assuming that he has submitted tax return after the Tax Day on March 26, 2025.

Assessee: Zakaria Rahman	Assessment Year: 2024 – 2025	Income Year: 2023 – 2024
Particulars of Total Income		Section Amount
Income from employment	32	Tk. 600,000
Income from rent	35	300,000
Income from agriculture	40	300,000
Income from Business	45	200,000
Income from financial assets	62	40,000
Income from other sources	66	60,000
Total income		Tk. 1,500,000

If return is submitted within Tax Day:

Tax computation and Payment

Gross tax before tax rebate (workings 1)	Tk. 193,000
Less: Tax rebate (Schedule 5)	43,800
Net tax after tax rebate (a)	149,200
Minimum tax (b)	5,000
Net amount payable [higher of (a) and (b)]	149,200
Add: Surcharges –	
Net Wealth Surcharge (10% of Tk. 149,200)	Tk. 14,920
Surcharge on Tobacco Income (2.5% of Tk. 200,000)	5,000
Add: Interest, fine, or any other payment under ITA, 2023	-
Total Amount Payable	169,120
Less: Payments –	
a. Tax deducted or collected at source	Tk. 14,000
b. Advance tax paid	-
c. Adjustment of tax refund (assessment year 2023 - 2024)	5,000
d. Amount paid with return [Balancing Figure]	150,120
Total amount paid and adjusted (a + b + c + d)	169,120
Deficit or excess	Tk. -
Tax exempted income	Tk. 300,000

If return is submitted after Tax Day:

If the return is submitted after tax day, the tax exempted income shall be included in the total income and shall be taxed at the regular rate. So now the total taxable income will be Tk. 15,00,000 + Tk. 300,000 = Tk. 18,00,000.

Tax computation and Payment

Gross tax before tax rebate (workings 2)

Less: Tax rebate (not allowed)

Net tax after tax rebate (a)

Minimum tax (b)

Net amount payable [higher of (a) and (b)]

Add: Surcharges -

Net Wealth Surcharge (10% on Tk. 246,000)

Surcharge on Tobacco Income (2.5% of Tk. 200,000)

Add: Interest, fine, or any other payment under ITA, 2023 (note 3)

Total Amount Payable

Less: Payments -

a. Tax deducted or collected at source

b. Advance tax paid

c. Adjustment of tax refund (assessment year 2023 - 2024)

d. Amount paid with return [Balancing Figure]

Total amount paid and adjusted (a + b + c + d)

Deficit or excess

Tax exempted income

Tk. 246,000

-

246,000

5,000

246,000

Tk. 24,600

5,000

29,600

20,928

296,528

Tk. 14,000

Tk. 296,528

Tk. -

Tk. -

Schedule 5

Particulars of Investment

1. Insurance premium - own Tk. 60,000 (maximum limit: 10% of Tk. 500,000)

2. Purchase of savings certificate Tk. 600,000 (max. limit Tk. 500,000)

3. DPS - Tk. 144,000 (max. limit Tk. 120,000)

4. Employer's and employee's contribution to RPF

Total

Amount

Tk. 50,000

500,000

120,000

40,000

Tk. 710,000

Tax Rebate

A. 3% of total income* (Tk. 1,460,000 @ 3%)

B. 15% on total investment allowance (Tk. 710,000 @ 15%)

C. Tk. 1,000,000

Tk. 43,800	Lower of
Tk. 106,500	A, B, and C,
Tk. 1,000,000	i.e., Tk. 43,800

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable i.e. interest on sanchaypatra

Workings 1: Computation of gross tax liability

	Rate	Amount
On First	0%	Tk. -
On next	5%	5,000
On next	10%	40,000
On next	15%	54,000
On tobacco income	45%	90,000
On Sanchaypatra interest	10%	4,000
Total		Tk. 193,000

Workings 2: Computation of gross tax liability

	Rate	Amount
On First	0%	Tk. -
On next	5%	5,000
On next	10%	40,000
On next	15%	75,000
On next	20%	32,000
On tobacco income	45%	90,000
On Sanchaypatra interest	10%	4,000
Total		Tk. 246,000

Notes: (1) Surcharge is applicable if net wealth worth above 4 crore. (2) Tax and surcharge rate on tobacco business income is 45% and 2.5% respectively (3) Interest/fine for late submission of tax return U/s 174: $A = B + (B - C) \times D \times 0.02$, where A = Total amount of tax payable, B = Total amount of tax the assessee would have paid if he had submitted the return by the Tax Day, provided that- (i) the tax exempted income shall be included in the total income and shall be taxed at the regular rate; and (ii) shall not include any penalty or tax imposed or levied under this Act other than minimum tax, surcharge and simple interest, C = Total amount of advance tax and TDS paid, D = Number of months determines as under, namely: (i) the number of months after the expiry of the tax day which shall not exceed 24; and (ii) a fraction of a month shall also be counted as 1 month. Here, B = Net amount payable and surcharge i.e. Tk. 275,600 and D = 4, as the return has been submitted after 3 months 26 days. So, $A = B + (B - C) \times D \times 0.02 = 275,600 + (275,600 - 14,000) \times 4 \times 0.02 = 296,528$. Therefore, the applicable interest/fine amount is (296,528 - 275,600) = 20,928.



GOVERNMENT EMPLOYEE, LOTTERY INCOME

Mr. Adib Ahsan is a government employee. Calculate his taxable income and tax liability for the current income year considering the following details.

- ☐ Mr. Adib Ahsan received basic salary (BS) Tk. 50,000 per month (pm); medical allowance Tk. 2,000 pm, two festival bonus each equal to Tk. 50,000, Bangla New Year Allowance Tk. 5,000. He lives in a government quarter and contributes Tk. 7,000 pm to the government provident fund (PF). Interest earned from the PF is Tk. 102,000. He also made monthly contribution to the Benevolent Fund, Group Insurance, and DPS (Dhaka Bank) was Tk. 500, Tk. 600 and Tk. 7,000 respectively.
- ☐ Mr. Adib is the owner of a four storied house at Dhanmondi, Dhaka. He lives in one floor and let out other three floors each at a monthly rent of Tk. 30,000 per month which is directly deposited to his bank account by the tenants. The house is used for residential purposes. During the year he received advance of Tk. 100,000 from the new tenants as security deposit which is not adjustable against rent. Special rent receipt from a party held on rooftop community hall Tk. 50,000. Besides all the repair and maintenance expenses, he paid municipal tax of Tk. 8,000; land revenue Tk. 2,000; interest on mortgage loan Tk. 3,000 for the house. The first floor remained vacant for 2 months during the year with proof.
- ☐ He received profit from a sole proprietorship business Tk. 155,000. This business incurred Tk. 40,000 loss in the last year and carry forwarded Tk. 5,000 of such loss. He won a lottery of Tk. 200,000 during the year and received the due amount after deduction of 20% TDS. During the year Mr. Adib purchased sanchaypatra of Tk. 600,000.

Assessee: Adib Ahsan	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024	
		Amount	Amount
Calculation of taxable income			
1. Income from Employment (Schedule 1)			Tk. 700,000
2. Income from Rent (Schedule 2)			792,750
3. Income from Business			
Income from sole proprietorship business	Tk. 155,000		
Less: set off previous year's loss	5,000		
			150,000
4. Income from other sources			
Lottery income			200,000
Total taxable income			1,842,750
Tax computation and Payment			
Gross tax before tax rebate (workings)		Tk. 228,550	
Less: Tax rebate (Schedule 5)		55,283	
Net tax after tax rebate (a)		173,267	
Minimum tax (b)		5,000	
Net amount payable [higher of (a) and (b)]		173,267	
Add: Surcharges -			
Net Wealth Surcharge	Tk. -		
Surcharge on Tobacco Income	-		
Add: Interest, fine, or any other payment under ITA, 2023			
Total Amount Payable		173,267	
Less: Payments -			
a. Tax deducted or collected at source (note 2)	Tk. 40,000		
b. Advance tax paid	-		
c. Adjustment of tax refund (if any, mentioning the year)	-		
d. Amount paid with return [Balancing Figure]	133,267		
Total amount paid and adjusted (a + b + c + d)		Tk. 173,267	
Deficit or excess		Tk. -	
Tax exempted income		Tk. 131,000	

Schedule 1

Particulars of Income from Employment	Total	Exempted	Taxable
Basic salary (50,000 × 12)	Tk. 600,000	Tk. -	Tk. 600,000
Medical allowance	24,000	24,000	-
Festival bonus (50,000 × 2)	100,000	-	100,000
Bangla new year allowance	5,000	5,000	-
Interest on PF	102,000	102,000	-
Total income from employment	Tk. 831,000	Tk. 131,000	Tk. 700,000

Schedule 2

Particulars of Income from Rent

Location, description, and ownership proportion of property	Total Rental Income Computation	Amount	Amount
Dhanmondi, Dhaka; four storied building used for residential purpose; 100% owned by the assessee	Rent received (30,000 × 3 × 12)	Tk. 1,080,000	
	Amount of advance adjusted against rent	-	
	Special rent	50,000	
	Vacancy Allowance	(60,000)	
	Total Rental Value (TRV)		Tk. 1,070,000
	Less: admissible expenses		
	Repair & maintenance (25% of TRV)	Tk. 267,500	
	Municipal tax (3/4)	6,000	
	Land revenue (3/4)	1,500	
	Interest on loan (3/4)	2,250	
	Total admissible deduction		277,250
	Net Income		Tk. 792,750
	Taxpayer's Share, if applicable (100%)		Tk. 792,750

Schedule 5

Particulars of Investment

	Amount
1. Contribution to GPF (7,000 × 12)	Tk. 84,000
2. Contribution to Benevolent Fund (500 × 12)	6,000
3. Contribution to Group Insurance Scheme (600 × 12)	7,200
4. DPS - Tk. 84,000 (max. limit Tk. 120,000)	84,000
5. Purchase of Sanchaypatra - Tk. 600,000 (max. limit Tk. 500,000)	500,000
Total	Tk. 681,200

Tax Rebate

A. 3% of total income*	(Tk. 1,842,750 @ 3%)	Tk. 55,283	Lower of
B. 15% on total investment allowance	(Tk. 681,200 @ 15%)	Tk. 102,180	A, B, and C,
C. Tk. 1,000,000		Tk. 1,000,000	i.e., Tk. 55,283

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable

Workings: Computation of gross tax liability

	Rate	Amount
On First	Tk. 350,000	0%
On next	100,000	5%
On next	400,000	10%
On next	500,000	15%
On next	292,750	20%
On lottery income	200,000	25%
Total	Tk. 1,842,750	Tk. 228,550

Notes: (1) For government employees only BS, Festival Allowance and Bonus is taxable (2) 17% on lottery is at 20%, i.e., 20% of Tk. 200,000 or Tk. 40,000



PERQUISITES, PARTLY LET OUT HOUSE PROPERTY, PARTLY AGRICULTURAL INCOME, SET OFF OF BUSINESS LOSSES

Compute total income and tax liability of Mr. Abdullah for the current income year considering the following details of his income for the year

- Income from Salary: On the first month of the income year, he received basic salary (BS) Tk. 65,000 in the scale of 60,000 - 50,000 × 5 - 75,000. His date of yearly salary increment is on April 1. He received dearness allowance @ 10% of BS and medical allowance of Tk. 6,000 per month. He received two bonuses equivalent to a month's BS, one received before annual increment and another after increment. He contributes 10% of his BS to an unrecognized provident fund. He has been provided with rent free accommodation (annual rental value Tk. 480,000) and a 2800 cc full-time car. TDS on salary Tk. 75,000.
- Income from Rent: He has a house. Half of the house is let out at Tk. 12,000 per month for commercial purposes and the other half is used for his residence. The municipal value of the house is Tk. 300,000. The expenses of the house for the year were as follows: land development tax Tk. 1,000; interest on HBFC Loan Tk. 45,000; and municipal taxes Tk. 5,400.
- Agricultural Income: Mr. Abdullah generated income from rubber garden Tk. 20,000 and sale of agri-products Tk. 400,000 during the year. Expenses (excluding production cost) relating to above agricultural income for the year were Tk. 5,000.
- Business Income: Income from sole-tradership business Tk. 240,000; last year loss carried forward Tk. 20,000.
- Income from Financial Assets: Interest on taxable government securities (TGS) Tk. 3,325; interest on debenture Tk. 19,000; interest on bank deposit Tk. 9,000; dividend income Tk. 9,000; income from zero coupon bond Tk. 10,000.
- During the year his actual investment allowance was Tk. 450,000.

Assessee: Abdullah		Assessment Year: 2024 - 2025		Income Year: 2023 - 2024	
Calculation of taxable income		Amount	Amount	Amount	
1. Income from Employment					
Basic salary [(65,000 × 9) + (70,000 × 3)] (note 1)	Tk.	795,000			
Dearness allowance		79,500			
Medical allowance (6,000 × 12)		72,000			
Bonus (65,000 + 70,000)		135,000			
Accommodation facilities		480,000			
Conveyance facilities (25,000 × 12)		300,000	Tk.	1,861,500	
Less: Exempted income (note 2)				450,000	
					Tk. 1,411,500
2. Income from Rent					
Actual rental value (ARV: 12,000 × 12)	Tk.	144,000			
Municipal value (MV: 300,000 × ½)		150,000			
Total Rental Value (AV: higher of ARV and MV)			Tk.	150,000	

Less: admissible expenses				
Repair & maintenance (30% of TRV)		45,000		
Municipal tax (½)		2,700		
Land development tax (½)		500		
Interest on HBFC loan (½)		22,500	70,700	79,300
3. Income from Agriculture				
Sale of agri-products	Tk.	400,000		
Income from rubber garden (20,000 × 60%)		12,000	Tk.	412,000
Less: admissible expenses: Production costs (note 3)	Tk.	240,000		
Others		5,000	245,000	167,000
4. Income from Business				
Income from sole proprietorship business	Tk.	240,000		
Less: set off previous year's loss		20,000	Tk.	220,000
Income from rubber garden (20,000 × 40%)			8,000	
				228,000
5. Income from Financial Assets				
Interest from TGS (3,325 × 100 ÷ 95)			Tk.	3,500
Interest from debenture (19,000 × 100 ÷ 95)				20,000
Interest on bank deposit (9,000 × 100 ÷ 90)				10,000
Dividend income (9,000 × 100 ÷ 90)				10,000
Income from zero coupon bond	Tk.	10,000		
Less: exempted (full)		10,000		43,500
				Tk. 1,929,300
Total taxable income				

Calculation of tax liability

		Rate	Tk.
On first	Tk. 350,000	0%	-
On next	100,000	5%	5,000
On next	400,000	10%	40,000
On next	500,000	15%	75,000
On next	500,000	20%	100,000
On next	79,300	25%	19,825
Total	Tk. 1,929,300		239,825
Less: Investment tax rebate			57,879
Less: Tax deducted at source (note 5)			78,175
Total amount payable			103,771

Calculation of tax rebate

A. 3% of Total Income	Tk. 57,879
B. 15% of Inv. (450,000 × 15%)	Tk. 67,500
C. Tk. 1,000,000	Tk. 1,000,000
Lower of A, B, and C	Tk. 57,879

Notes: (1) Basic salary for the first nine months @ Tk. 65,000 and for the last three months with increment @ Tk. 70,000 (65,000 + 5,000). (2) Lower of 1/3rd of total salary income i.e. (Tk. 18,61,500 ÷ 3) = Tk. 620,500 and Tk. 450,000 (3) 60% sales of agri-products is admissible as production cost, i.e., 400,000 × 60% = 240,000 (4) Employee's contribution to unrecognized provident fund is not an allowable investment. (5) Total amount of TDS is Tk. 78,175 [Tk. 75,000 from salary, Tk. 175 from govt. securities, Tk. 1,000 from debentures, Tk. 1,000 from interest on bank deposit, and Tk. 1,000 from dividend.

SPC
17.9

CAPITAL GAIN, DIVIDEND FROM MUTUAL FUND AND UNIT FUND

Mr. Mahid is the chief accountant of a private company. Considering the following data ascertain his total income and tax to be paid for the current income year.

- Income from Employment Tk. 300,000; income from rent Tk. 265,000; agriculture income includes: income from tea garden Tk. 15,000 and other agricultural income Tk. 30,000; income from business includes: income from sole proprietorship business Tk. 360,000 (last year's loss carried forward Tk. 20,000); dividend income from mutual fund Tk. 27,000; interest from bank deposit Tk. 2,700; interest from post office savings bank Tk. 27,000; royalty received as an author Tk. 45,000.
- Mr. Mahid purchased a machine for his sole proprietorship business on 1st August 2018 at Tk. 180,000. On 31st March of this income year, it was sold for Tk. 210,000 when the written down value (WDV) was Tk. 120,000. Mr. Mahid made investment and expenses during the said year for: life insurance premium Tk. 12,000 (policy worth Tk. 100,000); deposited to pension scheme per month Tk. 1,000; household expenses Tk. 18,000; investment in primary share of a listed company Tk. 20,000; investment in Recognized Provident Fund (RPF) both by employee and employer total Tk. 36,000; donated to ICDDR B Tk. 100,000; and purchase of Govt. Treasury Bill Tk. 20,000.

Assessee: Mahid	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Calculation of taxable income		Tk. 300,000
1. Income from Employment		265,000
2. Income from rent		
3. Income from Agriculture		
Income from tea garden (15,000 × 60%)	Tk. 9,000	
Other agricultural income	30,000	Tk. 39,000
Less: admissible expenses - Production costs (note 1)		18,000
4. Income from Business		21,000
Income from sole proprietorship business	Tk. 360,000	
Less: capital gain included thereon	30,000	
Less: set off previous year's loss	20,000	Tk. 310,000
Income from tea garden (15,000 × 40%)		6,000
5. Capital gain (note 2)		316,000
6. Income from Financial Assets		30,000
Dividend from mutual fund (27,000 × 100 ÷ 90)		3,000
Interest from bank deposit (2,700 × 100 ÷ 90)		30,000
Interest from post office (27,000 × 100 ÷ 90)		50,000
Royalty received as an author (45,000 × 100 ÷ 90)		113,000
Total taxable income (TI)		Tk. 1,045,000

Calculation of tax liability

	Rate	Tk.
On first Tk. 350,000	0%	-

Calculation of investment tax rebate

Life insurance premium	Tk. 10,000
Share purchase	20,000

On next 100,000	5%	5,000	Contribution to RPF	36,000
On next 400,000	10%	40,000	Deposit pension scheme	12,000
On next 165,000	15%	24,750	Donation to ICDDR B	100,000
On capital gain 30,000	15%	4,500	Purchase of Treasury Bill	20,000
Total Tk. 1,045,000		74,250	Total allowable investment	Tk. 198,000
Less: Investment tax rebate		29,700	A. 3% of TI	31,350
		44,550	B. 15% of allowable investment	29,700
Less: Tax deducted at source (note 4)		11,300	C. Tk. 1,000,000	1,000,000
Total amount payable		33,250	Rebate (Lower of A, B, and C)	Tk. 29,700

Notes: (1) It is assumed that no book of accounts was kept for agricultural income and expenses. So, 60% of other agricultural income is considered as the production cost. **(2)** Capital gain arises when the selling price of an asset exceeds the cost price. Here, the machine was sold for Tk. 210,000 whereas the cost was Tk. 180,000. So, the amount of capital gain is Tk. 30,000 (210,000 - 180,000). It is assumed that the revenue gain portion is included in the income of sole-tradership business. **(3)** As the capital gain arises after five years from acquisition, tax on capital gain is calculated separately using the rate 15% **(4)** TDS consists Tk. 3,000 from mutual fund dividend, Tk. 3,000 from post office bank, Tk. 300 from bank interest, and 5,000 from royalty.

SPC
17.10

ADVANCE SALARY, INTEREST COLLECTION CHARGE, PROPERTY LET OUT BOTH FOR RESIDENTIAL AND COMMERCIAL PURPOSES, TDS

Mr. Jewel is an executive of a private firm and received basic salary (BS) of Tk. 18,000 per month. His other income for the current income year includes: house rent allowance Tk. 10,800 per month; medical allowance Tk. 1,200 per month; dearness allowance @ 5% of BS; two festival bonus each equal to one month's BS; performance bonus equal to three month's BS. He contributes to old age fund @ 5% of BS. His employer provided him a 1500 cc car for full time use. He also received Tk. 950 per month as entertainment allowance out of which he spends Tk. 4,000 during the year. He has withdrawn two month's BS in advance and contributed 10% of BS to Recognized Provident Fund and his employer also contributed the same amount. TDS on Salary 20,000.

Mr. Jewel is the owner of a three-storied building at Mohakhali. Mr. Jewel resides with his family on the 2nd floor. One floor is let out to a Beauty Parlour and another floor is let out to a family at a monthly rent of Tk. 20,000 and Tk. 15,000 respectively. Expenses incurred for the house during the year include: repair expenses Tk. 150,000; city corporation tax Tk. 1,200 per quarter; white wash expense Tk. 15,000; insurance premium Tk. 3,000; electricity expense Tk. 5,000; caretaker's salary Tk. 2,000 per month; land revenue paid Tk. 3,000; mortgage loan paid Tk. 53,750 (including interest Tk. 3,750); alteration cost of first floor Tk. 30,000.

His incomes from other sources are: income from running an Old Home Tk. 12,000; income from writing column in newspaper Tk. 5000; income from sale of forest timber Tk. 32,000; sale of used furniture Tk. 6,000 (cost price Tk. 11,000). Mr. Jewel made and incurred investment and expenses during the said year for: purchase of shares of a

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co-operative society Tk. 40,000; donation to Baitul Mukarram Mosque Tk. 8,000; donation to Govt. Zakat fund Tk. 60,500; donation to a local club Tk. 9,000; spent a sum of Tk. 15,000 as educational expenses of his children; purchase of ICB certificate Tk. 45,000 and Contribution to group insurance Tk. 2,000. Ascertain his total income and tax liability to be paid for the current assessment year.

Assessee: Jewel	Assessment Year: 2024 - 2025		Income Year: 2023 - 2024	
	Amount	Amount	Amount	
Calculation of taxable income				
1. Income from Employment	Tk. 216,000			
Basic salary (18,000 × 12)	129,600			
House Rent Allowance (10,800 × 12)	14,400			
Medical allowance (1,200 × 12)	10,800			
Dearness allowance (216,000 × 5%)	36,000			
Festival bonus (18,000 × 2)	54,000			
Performance bonus (18,000 × 3)	120,000			
Conveyance facility (10,000 × 12)	11,400			
Entertainment allowance (950 × 12)	36,000			
Advance salary (18,000 × 2)	21,600			
Employer's contribution to RPF		Tk. 649,800		
		216,600	Tk. 433,200	
Less: Exempted income (note 1)				
2. Income from Rent		Tk. 420,000		
Total rental value (20,000 × 12) + (15,000 × 12)				
Less: admissible expenses -	Tk. 117,000			
Repair & maintenance (note 2)	3,200			
City corporation tax (1,200 × 4 × 2/3)	2,000			
Insurance premium (2 ÷ 3)	2,000			
Land revenue paid (2 ÷ 3)	2,500			
Mortgage interest paid (2 ÷ 3)		126,700		
			293,300	
3. Income from other sources				
Income from old home	Tk. 12,000			
Less: Exempted - Full	12,000	Tk. -		
Income from writing column in newspaper		5,000		
Sale of forest timber		32,000	37,000	
Total taxable income (TI)			Tk. 763,500	

Calculation of tax liability

	Rate	Tk.
On first Tk. 350,000	0%	-
On next 100,000	5%	5,000
On next 313,500	10%	31,350

Calculation of investment tax rebate

Contribution to old age fund	Tk. 10,800
Contribution to RPF	43,200
Donation to Govt. Zakat fund	60,500
Purchase of ICB certificate	45,000

Total	Tk. 763,500	36,350	Group insurance	2,000
Less: Investment tax rebate		22,905	Actual allowable investment	Tk. 161,500
		13,445	A. 3% of TI (note 3)	22,905
Less: Tax deducted at source		20,000	B. 15% of allowable Investment	24,225
Total amount payable	(6,555)		C. Tk. 1,000,000	1,000,000
			Tax rebate (lower of A, B, and C)	Tk. 22,905

Notes: (1) lower of 1/3rd of income from employment i.e. Tk. 216,600 or Tk. 450,000 (2) Repair expense for the let-out part is 25% for residential usage part and 30% for commercial usage part. So, repair expense is Tk. 117,000 $\{ \{20,000 \times 12 \times 30\} + \{15,000 \times 12 \times 25\} \}$ (3) excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable, i.e., 763,500 @ 3% = Tk. 22,905.



MINIMUM TAX

Mr. Arshad Amin is an executive of a private firm. He receives gross salary of Tk 393,666 from his office. In addition, he received interest from bank (gross) Tk. 64,139. He made no investment during the year. TDS on salary Tk 3,500. Calculate Mr. Arshad Amin's total taxable income and net tax liability for the current assessment year.

Assessee: Arshad Amin	Assessment Year: 2024 - 2025		Income Year: 2023 - 2024	
	Amount	Amount	Amount	
Calculation of taxable income				
1. Income from Employment				
Gross salary	Tk. 393,666			
Less: Exempted - Lower of 1/3 rd of Tk. 393,666, i.e., Tk. 131,222 or Tk. 450,000	131,222			
Taxable income from employment (Regular source)	262,444			
2. Income from Financial Assets (Bank interest) [Minimum tax is applicable]	64,139			
Total taxable Income		Tk. 326,583		

Calculation of Tax Liability

Tax on Regular Sources of Income (except Bank interest) i.e. on Tk. 2,62,444 @ 0%	Tk. -
Tax applicable on Bank Interest:	
▪ Tax on Income from Regular Sources (Income from Employment) and Bank interest i.e. on Tk. (262,444 + 64,139) = Tk. 326,583 @ 0%	Tk. -
▪ Less: Tax on Regular Sources of Income	-
▪ Minimum Tax on Bank Interest (Since TDS on Bank Interest is Tk. 6,414 which is more than the tax liability @ regular rate)	Tk. 6,414
Gross Tax Liability before rebate	6,414
Less: Tax Rebate	-
Net Tax Liability (a)	6,414
Minimum Tax (b)	5,000
Total Payable Amount (Higher of a and b)	6,414
Less: TDS (on salary Tk. 3,500 + on bank interest Tk. 6,414)	9,914
Payable with Return (Excess Paid)	Tk. (3,500)



PAY SCALE, PROFIT BONUS, TDS FROM SALARY INCOME, FOREIGN INCOME, DTA, INCOME OF SPOUSE AND MINOR CHILD

Mr. Topu has been working in a private firm. His taxable income from employment during the year is Tk. 674,302. His employer deducted Tk. 3,000 from his salary as TDS per month. Moreover, Mr. Topu is the owner of a two storied building at Lalmatia, Dhaka and he let out the whole building for residential purpose at a monthly rent of Tk. 30,000. Besides all other maintenance expenses, he paid municipal tax of Tk. 2,500 per quarter for that house. Mr. Topu took a loan of Tk. 1,500,000 @ 10% simple interest from a bank by placing that house as collateral to meet the construction cost. During the year, he paid the installment of the loan Tk. 300,000 (including Tk. 150,000 interest).

Mr. Topu visited South Korea as a consultant and generated Tk. 500,000 and he paid income tax @ 25% in South Korea as per DTA. Half of this income has been brought through banking channel. From another visit to Russia, he generated Tk. 300,000 and paid income tax @ 20%. Mr. Topu has also received Tk. 45,000 as interest from the savings account of his minor child and he has purchased a shop in the name of his wife from which his wife has received Tk. 50,000 as rent. At the end of the year, Mr. Topu's net assets valued at Tk. 4.5 crore. Ascertain his total taxable income and tax liability for the year assuming his eligible amount of allowable investment for the year is Tk. 200,000 and his wife did not submit any return in her name.

Assessee: Topu	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Calculation of taxable income		Tk. 674,302
1. Income from Employment		
2. Income from Rent		Tk. 360,000
Annual rental value (30,000 × 12)		
Less: admissible expenses -		
Repair & maintenance (note 1)	Tk. 90,000	
Municipal tax (2,500 × 4)	10,000	
Interest on mortgage loan	150,000	
		250,000
		110,000
3. Income from Spouse or Minor Child		
Rental income of spouse	Tk. 50,000	
Interest income of minor (45,000 × 100 ÷ 90)	50,000	
		100,000
4. Foreign Income		
Income from South Korea	Tk. 500,000	
Less: exempted (note 3)	250,000	
Income from Russia		300,000
		550,000
Total taxable income (TI)		Tk. 1,434,302

Calculation of net tax liability

On first Tk. 350,000 @ 0%	Tk. -	Less: Double taxation relief (notes 2, 3)	Tk. 52,470
On next Tk. 100,000 @ 5%	5,000	Less: Inv. tax credit (note 4)	30,000
On next Tk. 400,000 @ 10%	40,000		54,390
On next Tk. 500,000 @ 15%	75,000	Add: Wealth surcharge (note 6)	5,439
On next Tk. 84,302 @ 20%	16,860	Less: Tax deducted at source (note 5)	41,000
Gross Tax	Tk. 136,860	Total amount payable	Tk. 18,829

Notes: (1) If the house property is let out for residential purpose, 25% of total rental value is admissible as repair and maintenance expense. (2) Double taxation relief: Average tax rate in Bangladesh is (136,860 ÷ 1,434,302) i.e., 9.54%. So, Tax relief: on income from South Korea (as per DTA) 25% of 250,000 = Tk. 62,500 but maximum relief for DTA country is at an average rate (250,000 × 9.54%) = Tk. 23,850. On income from Russia (no DTA exists) 20% or average whichever is lower i.e., 9.54% of 300,000 = Tk. 28,620; Total double taxation relief = (23,850 + 28,620) = Tk. 52,470. (3) No question of double taxation exists for half of income generated from South Korea because that part was exempted from tax in Bangladesh because of using banking channel to bring the money. (4) Tax rebate will be lower of (a) 3% of TI excluding income on which min. tax is applicable i.e. (1,434,302 × 3%) = Tk. 43,029; (b) 15% of investment i.e. (200,000 × 15%) = Tk. 30,000, or (c) Tk. 10 lac. (5) Total TDS was Tk. 41,000 (Tk. 36,000 from salary + Tk. 5,000 from interest on saving account) need to be adjusted to calculate net tax liability. (6) As his net asset is Tk. 4.5 crore, he has to pay 10% surcharge on net tax.



CAPITAL ASSET DISPOSAL, SALE OF SHARE

Ms. Afroza Rahman is the chief accountant of a private limited company. During the year her gross salary receipt was Tk. 575,000. Her contribution to RPF was Tk. 25,000, the same amount was also contributed by her employer. The company deducted monthly Tk. 2,000 from her salary as income tax.

Ms. Rahman is the owner of a sole proprietorship business from where she earned net profit of Tk. 16,00,000 during the current fiscal year. She has realized gain and unrealized gain from stock market Tk. 10,00,000 and Tk. 30,00,000 respectively. She has invested Tk. 400,000 in the secondary market and Tk. 100,000 in Treasury Bond during the year. She sold a 3 khata plot in Mirpur for Tk. 1 crore in December of current income year, which was gifted by her father with a deed value of Tk. 75 lakh in March 2013. She paid Tk. 2 lakh as TDS at the time of registration and all other transfer expenses were borne by the buyer. She had no other income during the period.

Assessee: Afroza Rahman	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Amount	Amount
Calculation of taxable income		
1. Income from Employment:		
Gross receipt of salary	Tk. 575,000	
Employer's contribution to RPF	25,000	
		Tk. 600,000
Less: exempted -		200,000
		Tk. 400,000

2. Income from Business
 3. Income from Capital Gain
- Realized gain on Share
Less: exemption (full)
Sale of land (note 2)

Tk. 1,000,000
1,000,000 Tk. 2,500,000

2,500,000
Tk. 4,500,000

Total taxable income (TI)

Calculation of tax liability

		Rate	Tk.
On first	Tk. 400,000	0%	5,000
On next	100,000	5%	40,000
On next	400,000	10%	75,000
On next	500,000	15%	100,000
On next	500,000	20%	25,000
On next	100,000	25%	200,000
C. gain on land	2,500,000		445,000
Total	Tk. 4,500,000		82,500
Less: Investment tax rebate			224,000
Less: Tax deducted at source (note 3)			138,500
Net Tax liability			

Calculation of investment tax rebate

Contribution to RPF	Tk. 50,000
Share purchase	400,000
Treasury Bond	100,000
Actual allowable investment	550,000
A. 3% of TI (note 4)	135,000
B. 15% of allowable investment	82,500
C. Tk. 1,000,000	1,000,000
Tax rebate (lower A, B, and C)	Tk. 82,500

Notes: (1) lower of 1st of income from employment, i.e., 200,000 or Tk. 450,000 (2) Sale proceeds of land [i.e., Tk. 10,000,000] less: cost of acquisition [Tk. 7,500,000]. Therefore, capital gain is Tk. 2,500,000. (3) TDS paid at the time of land registration is considered as final payment of tax under SRO 286/Law/IT-16/2023, 11/10/2023 (4) excluding income on which tax exemption, minimum tax, or reduced rate is applicable



PARTNERSHIP PROFIT, SET OFF BUSINESS LOSSES

Mr. Masud Reza works in a Multinational Company. Relevant details of his income for the current income year are given below to calculate his tax liability for the year.

- During the income year, Mr. Reza received basic Salary (BS) Tk. 30,000 per month (pm); dearness allowance 10% of BS; two bonuses equivalent to two months BS; medical allowance Tk. 10,000 pm; entertainment allowance Tk. 2000 pm; conveyance allowance Tk. 4,000 per month. He has also been provided with a rent-free unfurnished quarter, annual rental value of which is Tk. 300,000. His Dhaka Club bill has been reimbursed Tk. 100,000, travel allowance given Tk. 50,000 for official purposes and Tk. 60,000 as a part of his reward. He contributes 10% of his BS to a Recognized Provident Fund (RPF). TDS on salary Tk. 75,000.
- He owns a Tin Shade house in Mirpur. He stays in the house with his family. The municipal value of the house is Tk. 200,000 per annum. During the year he incurred expenses for: repair Tk. 30,000; insurance Tk. 4,000; land development tax Tk. 1,500; sewerage and utilities expense Tk. 1,000; payment of DBH loan installment (including interest of Tk. 500) Tk. 5,000.

- He owns a stationary shop in his village. Total sales and COGS in the income year was Tk. 30,00,000 and Tk. 24,00,000 respectively. Other expenses were -- salary Tk. 60,000; Electric Bill Tk. 25,000; Rent expense Tk. 50,000; trade license renewal fee Tk. 10,000; Delivery expense Tk. 15,000. At the beginning of the income year, he purchased furniture of Tk. 40,000. Last year's loss carried forwarded Tk. 1,000.
- His other incomes were - sale of forest timber Tk. 34,000; sale of crops Tk. 5,000; income from barga Tk. 2,000; share of profit in a partnership firm Tk. 100,000. He also reported income of spouse and minor child Tk. 40,000.
- During the year the DCT has identified an unexplained credit of bank deposit Tk. 550,000. He has shown the purchase price of a flat as Tk. 40,00,000. The DCT has identified its fair market value as Tk. 50,00,000.
- Mr. Reza claims tax rebate for investment in - life insurance premium: Own Tk. 18,000 (policy value Tk. 200,000) and 20 years old son Tk. 8,000 (policy value Tk. 100,000); purchase of a listed company's primary share Tk. 5,000, partnership firms share Tk. 10,000, and shares of co-operative society Tk. 2,000; Contribution to Ahsania Mission Cancer Hospital Tk. 3,000; contribution to government zakat fund Tk. 25,000; DPS 12,000 per month, purchase of sanchaypatra Tk. 600,000; and purchase of furniture Tk. 15,000.
- His net wealth amount is Tk. 5 crore. He owns two motor cars of 1500 CC and 2000 CC respectively. He paid total Tk. 75,000 as advance tax in this regard.

Assessee: Masud Reza	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024	
Calculation of taxable income	Amount	Amount	Amount
1. Income from Employment			
Basic salary (30,000 × 12)	Tk. 360,000		
Dearness allowance (360,000 × 10%)	36,000		
Bonus (30,000 × 2)	60,000		
Medical allowance (10,000 × 12)	120,000		
Entertainment allowance (2,000 × 12)	24,000		
Conveyance allowance (4,000 × 12)	48,000		
Rent free accommodation	300,000		
Club bill reimbursed	100,000		
Travel allowance	60,000		
Employer's contribution to RPF (360,000 × 10%)	36,000		
		Tk. 1,144,000	
Less: exempted (note 1)		381,333	
			Tk. 762,667
2. Agricultural Income			
Sale of crops	Tk. 5,000		
Income from barga	2,000		
		Tk. 7,000	
Less: admissible production cost (note 2)		3,000	
			4,000

Tk. 600,000

4. Income from Business	
Gross Profit (Sales - COGS)	Tk. 60,000
Less: Admissible expenses	25,000
Salaries	50,000
Electric bill	10,000
Rent	15,000
Trade license renewal	4,000
Delivery Expense	
Furniture depreciation [10% as per Sch. 3]	164,000
	436,000
	1,000
Less: Carry forward of prior losses	435,000
5. Income from other sources	Tk. 34,000
Sale of forest timber	550,000
Unexplained credit	1,000,000
Understated flat value	1,584,000
	100,000
6. Share of profit in a partnership firm	40,000
7. Income of spouse or minor child	
Total taxable income	Tk. 2,925,667

Tax computation and Payment

Gross tax before tax rebate (workings)	Tk. 498,917
Less: Tax rebate (Schedule 5 and note 4, i.e., 87,770 + 17,050)	104,820
Net tax after tax rebate (a)	394,097
Minimum tax (b)	5,000
Net amount payable [higher of (a) and (b)]	394,097
Add: Surcharges -	
Net Wealth Surcharge (394,097 × 10%)	Tk. 39,410
Environmental protection surcharge	75,000
	114,410
Add: Interest, fine, or any other payment under ITA, 2023	
Total Amount Payable	508,507

Less: Payments -

a. Tax deducted or collected at source (75,000 + 5,000 + 3,000)	Tk. 83,000
b. Advance tax paid	75,000
c. Adjustment of tax refund (if any, mentioning the year)	-
d. Amount paid with return [Balancing Figure]	350,507
Total amount paid and adjusted (a + b - c - d)	Tk. 508,507
Deficit or excess	Tk. -
Tax exempted income	Tk. 350,507

Schedule 5**Particulars of Investment**

	Amount
1. Employee and employer's contribution to RPF (36,000 × 2)	Tk. 72,000
2. Life insurance premium - own (max 10% of PV)	18,000
3. Purchase of listed share	5,000
4. Contribution to Ahsania Mission Cancer Hospital	3,000
5. Contribution to govt. zakat fund	25,000
6. DPS - Tk. 144,000 (max. limit Tk. 120,000)	120,000
7. Purchase of Sanchaypatra - Tk. 600,000 (max. limit Tk. 500,000)	500,000
Total	Tk. 743,000

Tax Rebate

A. 3% of total income*	(Tk. 2,925,667 @ 3%)	Tk. 87,770	Lower of
B. 15% on total investment allowance	(Tk. 743,000 @ 15%)	Tk. 111,450	A, B, and C,
C. Tk. 1,000,000		Tk. 1,000,000	i.e., Tk. 87,770

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable.

Workings: Computation of gross tax liability

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 300,000	On next Tk. 1,275,667	Total (Tk.) 2,925,667
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%	
Tax	-	5,000	40,000	75,000	60,000	318,917	498,917

Notes: (1) lower of 1/3rd of income from employment, i.e., Tk. 381,333 or Tk. 450,000 (2) Though nothing is mentioned, we can at least assume 60% of sales proceeds as production cost. But this 60% should be charged only based on sales proceeds of crops, as no production cost is associated with barga. (3) Purchase of firm's share, shares of co-operative society and furniture are not allowable investments. (4) Average rate of tax = (498,917 ÷ 2,925,667) × 100 = 17.05%. Thus, tax credit on partnership profit is (100,000 × 17.05%) = 17,050.

**INCOMES ON WHICH MINIMUM TAX IS APPLICABLE**

Ms. Roksana Azad has income from employment (salary) Tk. 718,200, bank interest (gross) Tk. 120,000, and interest on savings certificate (gross) Tk. 50,000. Employer's and employee's contribution to RPF Tk. 50,000. She purchased sanchaypatra of Tk. 150,000 and secondary share Tk. 16,000. Calculate her taxable income and tax liability for the year.

Assessee: Roksana Azad	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Calculation of taxable income	Amount	Amount
1. Income from Employment		Tk. 718,200
2. Income from Financial Assets		
Bank interest (minimum tax applicable)	Tk. 120,000	
Interest on savings certificate (final payment of tax)	50,000	
		170,000
		Tk. 888,200

Calculation of Tax Liability

- A. Tax on Regular Sources of Income (except Bank interest and sanchaypatra interest)
i.e. on Tk. 718,200 [400,000 @ 0% + 100,000 @ 5% + 218,200 @ 10%]
- B. Tax applicable on Bank Interest:
 • Tax on Income from Regular Sources (Income from Employment) and Bank interest i.e. on Tk. (718,200 + 120,000) = Tk. 838,200 [400,000 @ 0% + 100,000 @ 5% + 300,000 @ 10% + 38,200 @ 15%]
 • Less: Tax on Regular Sources of Income
 • Minimum Tax on Bank Interest
 (TDS on Bank Interest is Tk. 12,000 which is less than the applicable amount)
- C. Tax on sanchaypatra interest @ 10% on Tk. 50,000 (it is a final payment of tax)
- Gross Tax Liability before rebate (A+B+C)
 Less: Tax Rebate (schedule 5)
 Net Tax Liability (a)
 Minimum Tax (b)
 Total Payable Amount (Higher of a and b)
 Less: TDS (on bank interest Tk. 5,000 + on sanchaypatra interest Tk. 12,000)
 Payable with Return (Excess Paid)

Tk. 26,820

Tk. 40,730
26,820

Tk. 13,910

Tk. 5,000

Tk. 45,730

21,546

24,184

5,000

24,184

17,000

Tk. 7,184

Schedule 5

Particulars of Investment

- Contribution to RPF
 - Purchase of Sanchaypatra - Tk. 150,000 (max. limit Tk. 500,000)
 - Purchase of listed share
- Total

Amount
Tk. 50,000
150,000
16,000
Tk. 216,000

Tax Rebate

- A. 3% of total income* (Tk. 718,200 @ 3%)
 B. 15% on total investment allowance (Tk. 216,000 @ 15%)
 C. Tk. 1,000,000

Tk. 21,546	Lower of
Tk. 32,400	A, B, and C,
Tk. 1,000,000	i.e., Tk. 21,546

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable i.e. bank interest and sanchaypatra interest.

TAX CALCULATION FOR A NON-RESIDENT

Ms. Veronica Rozario, a Danish Citizen, came to Bangladesh and started working in Walton PLC since January 01, 2024 from where she receives basic salary Tk. 200,000 per month; rent free accommodation for which her employer spends Tk. 75,000 per month; a 2800cc full time car; medical allowance Tk. 10,000 per month (actual expense Tk. 100,000); and entertainment allowance Tk. 5,000 per month (actual expense Tk. 50,000). She invested Tk. 5,00,000 in listed company shares and Tk. 400,000 in ICB Mutual Fund Unit shares. Calculate her taxable income and tax liability for the year. Will your answer be different if she is a nonresident Bangladeshi?



Assessee: Veronica Rozario

Assessment Year: 2024 2025

Income Year: 2023 - 2024

Calculation of taxable income

Income from Employment:

- Basic salary (200,000 × 6)
 Rent free accommodation (75,000 × 6)
 Conveyance facility (25,000 × 6)
 Medical allowance (10,000 × 6)
 Entertainment allowance (5,000 × 6)

Amount	Amount
Tk. 12,00,000	
450,000	
150,000	
60,000	
30,000	

Tk. 1,890,000

Less: exempted (lower of 1/3rd of income from employment i.e. Tk. 630,000 or Tk. 450,000)

450,000

Tk. 1,440,000

Ms. Veronica's staying in Bangladesh during the income year was (31+28+31+30+31+30) = 181 days and days of staying in preceding 4 years to the income year was 0 days. So, she is a non-resident foreigner assessee. She will not get any tax rebate on investment allowance U/s 78. Her tax payable amount will be (14,40,000 × 30%) = Tk. 432,000 less TDS (if any).

Contrary, as a nonresident Bangladeshi, the answer will be different as non-resident Bangladeshi assesses are eligible to get regular tax rebate on investment allowance U/s 78. Tax will be calculated using the regular tax rate. So, the tax payable amount shall be as below:

	On first Tk. 400,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 40,000	Total (Tk.) 1,440,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	-
Tax	-	5,000	40,000	75,000	8,000	128,000

Less: Investment tax rebate (schedule 5)

43,200

Net Tax payable

Tk. 84,800

Schedule 5

Particulars of Investment

- Purchase of listed company's share
 - Purchase of ICB Unit Fund shares
- Total

Amount
Tk. 500,000
400,000
Tk. 900,000

Tax Rebate

- A. 3% of total income* (Tk. 1,440,000 @ 3%)
 B. 15% on total investment allowance (Tk. 900,000 @ 15%)
 C. Tk. 1,000,000

Tk. 43,200	Lower of
Tk. 135,000	A, B, and C,
Tk. 1,000,000	i.e., Tk. 43,200

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable i.e. bank interest and sanchaypatra interest.



TAX ON CAPITAL GAIN, TDS, SURCHARGE BASED ON NET WEALTH

Mr. Jalal Talabani retired from his job on 1st July 2024 under a government voluntary scheme and received Tk. 3 crore as gratuity. Tk. 5,000,000 as accumulated balance from the provident fund, Tk. 3,000,000 as golden handshake. He has furnished the following information about the other sources of his income for the current income year. Calculate the tax liability:

- ☐ Sale of agricultural crops Tk. 200,000; Income from Barga Tk. 50,000; Sale of Tea 100,000, Income from Poultry Farm 25,00,000; Sale of Tractor Tk. 26,000 (Accumulated Depreciation Tk. 2,000; cost Tk. 25,000);
- ☐ Profit from paper business Tk. 100,000; Cigarette Manufacturing business Tk. 300,000; Call Center Business Tk. 200,000;
- ☐ Interest on Sanchaypatra Tk. 300,000 (TDS applied Tk. 30,000), Bank interest Tk. 45,000 (net), Dividend from listed company's share Tk. 27,000 (net); Income from zero coupon Bonds Tk. 50,000.
- ☐ He performed a consultancy for World Bank for 10 days in USA and received an honorarium of \$5,000. He has remitted the amount to Bangladesh through Western Union. Tk. 600,000 was credited to his account by bank in this regard.
- ☐ Share of Profit in a Partnership Firm Tk. 200,000
- ☐ Investment claimed by Mr. Talabani includes: purchase of laptop Tk. 150,000, jewelry Tk. 300,000, shares through IPO Tk. 100,000; purchase of secondary shares Tk. 200,000; purchase of sanchaypatra Tk. 15,00,000, donation to Lab Aid Hospital Tk. 50,000; purchase of books and magazines Tk. 10,000; contribution to Ahsania Mission Cancer Hospital Tk. 10,000; distribution of zakat money to village people Tk. 20,000; donation to local mosque Tk. 10,000; DPS Tk. 12,000 per month; purchase of Samsung android smartphone Tk. 25,000 & purchase of an apartment Tk. 1 crore.
- ☐ During the year his net wealth is amounted to Tk. 12 crore. He owns 2 cars (1500 cc and 2200 cc). Advance Tax paid Tk. 75,000.

Assessee: Jalal Talabani **Assessment Year:** 2024 – 2025 **Income Year:** 2023 – 2024

Calculation of taxable income	Amount	Amount	Amount
1. Income from Employment:			
Gratuity	Tk. 30,000,000		
Less: Exempted – upto 2.5 crore	25,000,000		
		Tk. 5,000,000	
Accumulated Balance from provident fund	Tk. 5,000,000		
Less: Exempted - full	5,000,000		
Golden Handshake	Tk. 3,000,000		
Less: Exempted - full	3,000,000		
2. Agricultural Income:			Tk. 5,000,000

Sale of crops	Tk. 200,000
Income from barga	50,000
Sale of Tea (60%)	60,000
Income from Poultry	2,500,000
Revenue Gain on sale of tractor (note 2)	2,000

	Tk. 2,812,000	
Less: admissible production cost (note 1)	1,20,000	
		2,692,000

3. Income from Business:		
Profit from paper business	Tk. 100,000	
Profit from Cigarette business	300,000	
Profit from Call Center Business	Tk. 200,000	
Less: Exempted - full	200,000	
Sale of tea (40%)		40,000

		440,000
		1,000

4. Capital Gain (Gain on sale of tractor)		
5. Income from financial assets:		
Interest on Sanchaypatra	Tk. 300,000	
Bank interest (45,000 ÷ 90 × 100)	50,000	
Dividend (27,000 ÷ 90 × 100)	30,000	
Income from Zero Coupon Bond	Tk. 50,000	
Less: Exempted - Full	50,000	
		380,000
6. Share of profit in a partnership firm		200,000
Total taxable income		Tk. 8,713,000

Categorizing income for tax:

Total taxable income Tk. 8,713,000

Income on which reduced/special tax rate is applicable

▪ Income from Poultry [1 st 10 lac nil, next 10 lac 5%, next 10 lac 10%, rest 15% [SRO No. 157-AIN/IT/2022 dated 01/06/2022]	Tk. 2,500,000
▪ Cigarette business [tax 45% (additional 2.5% surcharge)]	300,000
▪ Capital Gain [tax @ 15%]	1,000
▪ Interest on Sanchaypatra [tax 10% (Final Payment of Tax)]	300,000
	3,101,000
Income on which regular rate is applicable	Tk. 5,612,000

Tax Computation and Payment

	Income	Rate	Tax
Tax on income under regular rate (workings)	Tk. 5,612,000	-	Tk. 1,160,500
Tax on poultry income (note 3)	2,500,000	-	100,000
Tax on income from cigarette business	300,000	45%	135,000
Tax on capital gain	1,000	15%	150
Tax on sanchaypatra interest	300,000	10%	30,000
Gross tax on total income	Tk. 8,713,000		Tk. 1,425,650

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			139,500
Less: Investment tax rebate (schedule 5)	Tk. 200,000	16.36%	32,720
Less: Tax credit on partnership profit (note 4)			Tk. 1,253,430
Net tax after tax rebate			
Add: Surcharge -	Tk. 1,253,430	20%	Tk. 250,686
Net wealth surcharge			75,000
Environmental protection surcharge	300,000	2.50%	7,500
Tobacco income surcharge			Tk. 1,586,616
Total amount payable			
Less: Payments -			
Tax deducted at source (30,000 + 5,000 + 3,000)	Tk. 38,000		
Advance tax			75,000
Tax paid with return [Balancing figure]	1,473,616		
Total amount paid and adjusted			Tk. 1,586,616
Deficit or excess			Tk. -
Tax exempted income			Tk. 3,325,000

Schedule 5

Particulars of Investment	Amount
1. IPO shares	Tk. 100,000
2. Secondary shares	200,000
3. Sanchaypatra purchase Tk. 15,00,000 (max limit Tk. 5 lac)	500,000
4. Contribution to Ahsania Mission Cancer Hospital	10,000
5. DPS - Tk. 144,000 (max. limit Tk. 120,000)	120,000
Total	Tk. 930,000

Tax Rebate

A. 3% of total income*	(Tk. 56,12,000 @ 3%)	Tk. 168,360	Lower of
B. 15% on total investment allowance	(Tk. 930,000 @ 15%)	Tk. 139,500	A, B, and C,
C. Tk. 1,000,000		Tk. 1,000,000	i.e., Tk. 139,500

* excluding income on which a tax exemption or a reduced rate or minimum tax rate is applicable.

Workings: Gross tax on income under regular rate

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 400,000	On next Tk. 500,000	On next Tk. 500,000	On next Tk. 3,762,000	Total (Tk.) 5,612,000
Rate	@ 0%	@ 5%	@ 10%	@ 15%	@ 20%	@ 25%	
Tax	-	5,000	40,000	75,000	100,000	940,500	1,160,500

Notes: (1) 60% production cost will be applicable on sale of crops i.e. (200,000 × 60%) = 120,000 (2) Gain on sale of tractor - Capital gain (Sale proceeds - cost) i.e. (Tk. 26,000 - Tk. 25,000) = Tk. 1,000; revenue gain - (cost - WDV) i.e. (Tk. 25,000 - Tk. 23,000) = Tk. 2,000 (3) [(1,000,000 × 0%) + (1,000,000 × 5%) + (500,000 × 10%) = Tk. 100,000] (4) Average rate of tax = (14,25,650 ÷ 87,13,000) × 100 = 16.36% which is used to compute tax credit on partnership profit.

KEY POINTS

- ☐ As per section 30 of the ITA, 2023 there are seven heads of income whereas according to Income Tax Return Format it has been classified into 10 categories.
- ☐ For the assessment year 2024 - 2025, the limit of minimum taxable income is Tk. 350,000. In case of women, elderly citizens of being more than 65 years old Tk. 400,000, for third gender and disable person, the limit is Tk. 475,000 and for gazetted wounded freedom fighters Tk. 500,000.
- ☐ Incomes specified in Part I of the Sixth Schedule of the Income Tax Act, 2023 and some other incomes specified in different SROs are exempted from tax.
- ☐ As per section 78, a resident assessee will get tax rebate on investment allowance.
- ☐ There are some incomes on which a certain percentage of tax is deducted at source. It is required to gross up those income to compute tax payable income.
- ☐ An individual received any benefit in form of cash or kind from the employer will be considered as income under the head salary.
- ☐ Pension is exempted from tax.
- ☐ Repair and maintenance expense is admissible expense to the extent of 25% for house let out for residential purpose, 30% in case of the house is let out for commercial purpose, and 10% for other purpose.
- ☐ 10% TDS is applicable on any amount of Interest received on the post office savings deposit.
- ☐ Losses generated from any head are allowable to set off against income from other heads except business losses (including speculation business losses and tobacco business losses) and the losses under the head capital gain.

MULTIPLE CHOICE QUESTIONS

- IT Return Rules, 2023 specify in the "Specimen Form of Income" _____ number of heads of income?
(a) 7 (b) 9 (c) 10 (d) 11
- For the assessment year 2024 - 2025, the limit of minimum taxable income for a woman is -
(a) Tk. 350,000 (b) Tk. 400,000 (c) Tk. 450,000 (d) Tk. 475,000
- Minimum amount of tax applicable for an individual assessee in Dhaka city corporation area is -
(a) Tk. 4,000 (b) Tk. 3,000 (c) Tk. 5,000 (d) No such limit exists
- Non-assessable income are specified in -
(a) 5th schedule, Part A (b) 5th schedule, Part B (c) 6th schedule, Part I (d) 6th schedule, Part B
- Maximum amount eligible for such tax rebate on investment allowance is -
(a) 3% of total income (b) Tk. 10,00,000 (c) 15% on actual inv. (d) lower of a, b & c
- TDS rate for dividend income and interest from bank deposit is -
(a) 5% (b) 10% (c) 15% (d) 20%
- If agriculture is the only source of income for an assessee, exemption is up to -
(a) Tk. 120,000 (b) Tk. 50,000 (c) Tk. 220,000 (d) Tk. 200,000
- What is the tax rate on capital gain arises after five years from acquisition?
(a) 15% (b) Average rate (c) Higher of a & b (d) Lower of a & b

9. Double taxation relief is applicable for
 (a) salary income (b) agricultural income (c) securities income (d) foreign income
10. Tax is paid for –
 (a) an income year (b) an assessment year (c) a previous year (d) a subsequent year

TRUE (T) OR FALSE (F) IDENTIFICATION

1. A non-resident foreigner assessee pays tax on foreign income.
2. Maximum tax rate is 30% for an individual assessee.
3. Wealth surcharge is 10% if net assets is more than Tk. 4 but less than Tk. 10 crore.
4. 10% tax is deducted from income from Lottery, winning prizes etc.
5. No TDS is deducted from interest on pensioner and paribar sanchayapatra.

<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F
<input type="checkbox"/>	T	<input type="checkbox"/>	F

DISCUSSION QUESTIONS (DQ)

- DQ17.1 Explain the scope and sources of total income for an individual assessee.
- DQ17.2 Enumerate the steps of computing total income and tax liability of an individual assessee.
- DQ17.3 Explain non assessable income with reference to sixth schedule part I of the ITA, 2023.
- DQ17.4 Explain tax rebate. State the method of computing tax rebate.
- DQ17.5 'An individual assessee is allowed to get tax rebate on certain investment' – explain.
- DQ17.6 Enumerate the tax rate applicable for an individual assessee for the current assessment year.
- DQ17.7 What is the application of grossing up in computation of total income?
- DQ17.8 Write short note on:
- ☐ Investment allowance
 - ☐ Total taxable income
 - ☐ Non assessable income
 - ☐ Grossing up

PROBLEM CASES (PC)

PC17.1: Determine the total income and tax liability of Mr. Irfan Hasan from the following particulars relating to current income year.

- ☐ *Income from employment:* Basic salary (BS) Tk. 5,000 per month; dearness allowance @ 10% of BS; two festival bonuses equal to one month's BS each; commission & fee Tk. 3,000; cash allowance as compensation Tk. 20,000; annuity Tk. 18,000; advance salary Tk. 15,000; entertainment allowance Tk. 500 per month (actual expense Tk. 5,000); medical allowance Tk. 1,000 per month; retirement allowance/ pension Tk. 80,000. He contributes 10% of his BS to a recognized provident fund (RPF); servant allowance Tk. 200 per month; leave encashment Tk. 10,000; gratuity Tk. 15,000; student advisor allowance Tk. 600 per month; travel allowance Tk. 12,000; accrued salary of the last year has been received in the current year Tk. 10,000 which has not been included in the total income of last year; Tk. 250 per month has been received for launch at office. He was provided with a non-furnished house for which 10% of his basic salary is deducted (annual rental value Tk. 120,000); He was provided with a 1500 cc full-time car for both

personal and official uses. He is also given Tk. 1,200 per month as conveyance allowance. His employer spent Tk. 5,000 for maintenance of the car

- ☐ *Income from rent:* He has a three storied house at Baridhara where he resides with his family on third floor. The ground floor of the house has been let out at a monthly rent of Tk. 10,000. His son-in-law uses the second floor of the house for his business purpose. The municipal value of the house is Tk. 400,000. Expenses relating to the house for the year were: maintenance and collection expense Tk. 1,200; municipal tax Tk. 2,400; electricity bill Tk. 12,000; sewerage expense Tk. 2,000; guard salary Tk. 12,000; land revenue Tk. 2,600 per year; installment payment of HBFC loan Tk. 36,000 which includes interest of Tk. 3,600; fire insurance premium Tk. 2,800; legal charge Tk. 2,000; The tenant has borne owner's expense of Tk. 2,000; and Tk. 8,000 of the rent has not yet been collected
- ☐ *Income from agricultural lands.* He has agricultural lands from where his gross income from sale of paddy Tk. 65,000 and from sale of jute Tk. 42,000. On the other hand he has also received Tk. 31,000 as landlord. He did not keep proper accounts of cost of production but has maintained the proof of the following expenses: interest on borrowed capital Tk. 4,000; land development tax Tk. 1,600; insurance premium Tk. 1,400; maintenance of irrigation work Tk. 6,000; transportation cost Tk. 2,700; process cost Tk. 5,200. His other income includes: cash rentals of agricultural land Tk. 21,000; income from rent of a building solely used for business purpose Tk. 7,200; income from Tea estate Tk. 50,000; income from Rubber garden 32,000; income from sale of Palm juice Tk. 2,300; income from sale of honey Tk. 3,300; income from sale of fishes from pond Tk. 14,000; and income from sale of fruits and vegetables Tk. 5,300.
- ☐ *Income from Business:* He is a Homeopathic practitioner, and he receives Tk. 24,000 from this practice as visit fee; income from his departmental store Tk. 90,000 (Loss on last year Tk. 15,000); Loss on fast food business Tk. 23,000; and Loss from speculative business Tk. 6,000.
- ☐ *Income from Partnership firm:* Tk. 35,000
- ☐ *Income from Wife's and minor son's property (they don't submit tax return).* From wife's property Tk. 40,000 and from minor son's property Tk. 20,000.
- ☐ *Capital gain:* Sale of asset Tk. 12,000; cost Tk. 10,000 and book value Tk. 8,000.
- ☐ *Income from financial assets:* Interest on taxable government securities Tk. 4,000; Interest on 10% debenture – Tk. 10,000; Income from zero coupon bond Tk. 10,000; Tk. 1,000 interest was paid for the loan taken to purchase the debenture
- ☐ *Income from other sources:* Dividend from a public limited company Tk. 9,000; dividend of private ltd. company Tk. 18,000; dividend from mutual fund/unit fund Tk. 36,000; interest on savings account Tk. 2,700; prize of lottery Tk. 40,000; interest on fixed deposit Tk. 3,600; dividend of a public ltd. company Tk. 2,700; interest on postal savings account Tk. 1,600; income from writing book Tk. 8,000; income from examination scripts evaluation Tk. 4,200; income from Examination invigilation Tk. 3,400; income from word competition Tk. 7,000; prize of Prizebond Tk. 24,000; income from a private university as a part-time lecturer Tk.

22,000; income from remuneration of director Tk. 14,000; income from rent of a shop owned by him Tk. 15,000; income from a newspaper for column writing Tk. 2,000; income from sale of forest timber Tk. 32,000; income from unused leased land Tk. 17,000; income from rental of machineries Tk. 9,000; gain from loan amortization Tk. 11,000; income from Boats Tk. 10,000; income from royalty Tk. 26,000; and income from mooring terminal Tk. 3,000.

- **Foreign income:** Income from foreign property Tk. 90,000 received through remittance and interest on foreign bank's deposit Tk. 13,000.

During the year he incurred expenses for and investment in: insurance premium, own Tk. 8,000 (policy value Tk. 42,000); insurance premium, spouse (policy value Tk. 40,000) Tk. 3,000; deposited monthly to pension scheme Tk. 600; educational expense of son Tk. 48,000; household expenses Tk. 108,000; donated to recognized fund Tk. 15,000; purchase of savings certificate Tk. 24,000; purchase of unit certificate Tk. 30,000; purchase of postal savings certificate Tk. 80,000; purchase of defense savings certificate Tk. 12,000; purchase of magazines and books Tk. 4,500; purchase of 10% company debenture (1st time acquisition) Tk. 10,000; donated to prime minister's relief fund Tk. 4,000; donated to recognized school Tk. 3,000; donated to a local sporting club Tk. 1,000; donated to Sir Salimullah Muslim Orphanage Tk. 5,000; the employer deducts monthly Tk. 500 as group insurance premium; donated to recognized welfare fund Tk. 3,600; donated to government zakat fund Tk. 1,800; gift to wife Tk. 75,000; purchased share of an unlisted company Tk. 25,000; purchased primary share of a listed company Tk. 15,000; purchased share of a listed company from Dhaka Stock exchange Tk. 30,000; donated to Bangladesh Sports Development Council Tk. 8,000; donated to President's relief fund Tk. 5,000; and advance payment for expenses Tk. 10,000.

PC17.2: From the following information calculate taxable income and tax liability of Mr. Khalil for the current income year: income from employment Tk. 600,000; income from rent Tk. 452,000; income from business Tk. 525,000; income from financial assets Tk. 35,000; and income from other sources Tk. 125,000. During the year Mr. Khalil incurred expenses for and investment in: insurance premium, own (policy value Tk. 600,000) Tk. 40,000; insurance premium, spouse (policy value Tk. 300,000) Tk. 30,000; deposited to pension scheme per month Tk. 1,250; educational expense of son Tk. 40,000; household expenses Tk. 262,000; donated to recognized fund Tk. 38,000; purchase of savings certificate Tk. 60,000; purchase of Defense savings certificate Tk. 20,000; purchase of 10% debenture Tk. 20,000; donated to prime minister's relief fund Tk. 45,000; donated to a local sporting club Tk. 25,000; donated to Sir Salimullah Muslim Orphanage Tk. 25,000; donated to recognized welfare fund Tk. 12,500; donated to government zakat fund Tk. 35,500; gift to wife Tk. 75,000; purchased share of an unlisted company Tk. 25,000; purchased primary share of a listed company Tk. 45,000; purchased share of a listed company from DSE Tk. 40,000; donated to Bangladesh Sports Development Council Tk. 12,000; donated to President's relief fund Tk. 25,000; and purchase of a laptop Tk. 120,000.

PC17.3: Mr. Jashim has the following income for the current income year. Ascertain his total income and tax payable amount for the year. Mr. Jashim received basic salary (BS) of Tk. 32,000 in the last month of the income year following the salary scale of 26,000 – 3,000 – 35,000. The date of annual salary increment is 1st April. Besides, he received dearness allowance @ 10% of BS; entertainment allowance and medical allowance @ 15% and @ 5% of BS respectively; annual bonus and fees Tk. 45,000; house rent allowance Tk. 14,000 per month; conveyance allowance Tk. 1,700 per month. He contributes 10% of BS to a recognized provident fund (RPF) and his employer also contributes the same in the fund. He contributes to old age fund @ 3% of BS. Mr. Jashim invested Tk. 70,000 in 12% taxable government securities, Tk. 250,000 in 15% debentures (purchased on 1st January of current year). He took 10% loan Tk. 350,000, of which Tk. 200,000 he used to purchase debenture. Bank charges 2.5% collection fee of these interests.

Mr. Jashim made and incurred investment and expenses during the said year for: life insurance premium Tk. 12,000, value of the policy worth Tk. 100,000; purchase of books Tk. 3,000 and purchase of scientific instruments Tk. 8,000; purchase of shares of approved company Tk. 15,000; donation to educational and religious institutions Tk. 7,000; donation to zakat fund Tk. 6,500; donation to president relief fund Tk. 15,000; donation to national sports federation Tk. 9,000; donation to a local club Tk. 10,000; donation to a blind school Tk. 25,000; purchase of a piece of land for Tk. 270,000 in the name of his wife and a sum of Tk. 12,000 was spent for its registration; Spent a sum of Tk. 17,000 as educational expenses of his children; purchase of ICB unit certificate Tk. 30,000; purchase of gold Tk. 32,000; an contribution to group insurance Tk. 1,800.

PC17.4: Mr. Fahad is the general manager of a private company. His sources of income for the current income year were: basic salary (BS) per month (pm) Tk. 38,000; medical allowance Tk. 2,500 pm; house rent allowance Tk. 19,500 pm; conveyance allowance Tk. 2,500 pm; he and his employer contribute 10% of the BS to a recognized provident fund and Tk. 3,500 per month has been deducted from his BS as advance tax. He also received interest from government securities Tk. 27,000; and interest received from debentures Tk. 36,000. He is also the owner of a house property from which he received annual rent (from half of the house) Tk. 3,15,000; municipal value for the house is Tk. 650,000; expenses related to the house for the year includes, payment for repair and maintenance Tk. 90,000; and municipal tax Tk. 9,000. He also received income by sale of agricultural crops Tk. 165,000. In the said year Mr. Fahad incurred investment and expenses for: life insurance premium Tk. 60,000; donation to local mosque Tk. 10,000; and purchase share from secondary market Tk. 54,000. From the above particulars of Mr. Fahad calculate tax liability for the year.

PC17.5: Mr. Newaz is the employee of a private textile firm. From the following particulars of his income for the current income year, calculate taxable income and tax liability. Mr. Newaz received basic salary (BS) Tk. 19,000 per month (p.m.);

entertainment allowance Tk. 1,200 p.m.; house rent allowance (actual rent paid Tk. 7,500 p.m.) Tk. 10,000 p.m.; conveyance allowance Tk. 700 p.m.; medical allowance (actual annual expenditure Tk. 8,000) Tk. 1,000 p.m.; and bonus 3 month's BS. Mr. Newaz contributed 10% of BS to recognized provident fund (RPF) and his employer also contributed the same amount. During the year, Mr. Newaz received interest from 11% taxable government securities Tk. 22,500. He also invested Tk. 250,000 in 10% debentures on the first day of the income year. Bank charged him 5% as collection fees. He also received dividend from a public limited company Tk. 4,500, interest from savings account Tk. 2,700 and won lottery of Tk. 210,000. He purchased savings certificate of Tk. 36,000 and donated Tk. 12,000 to Dhanmondi club during the year.

PC17.6: Followings are the income of Mr. Alam for the current income year. Calculate Mr. Alam's taxable income and tax liability for the year.

- *Income from Employment:* Basic salary per month (p.m.) Tk. 20,000; entertainment allowance p.m. Tk. 1,000; house rent allowance Tk. 11,000 p.m.; conveyance allowance Tk. 1,500 p.m.; medical allowance Tk. 500 p.m.; annual performance bonus equal to two and half month's basic salary; and festival bonus - 2 months basic salary. Mr. Alam contributed 10% of basic salary to Recognized Provident Fund. He has been provided with a 1500 cc car fully for his personal use. During the year his employer spent Tk. 48,000 for maintaining the car.
- *Income from Rent:* Mr. Alam is the owner of a three storied house at Dhanmondi, Dhaka. He let out each floor at a monthly rent of Tk. 15,000. Annual municipal value of the house is Tk. 600,000. Beside all the repair and maintenance expenses, he paid municipal tax of Tk. 6,500; insurance premium Tk. 22,300; interest on mortgage loan Tk. 2,700 for the house. The ground floor remains vacant for 2 months during the year for which he has sufficient proof to provide. Besides one month's rent from the ground floor also becomes uncollectible during the year.
- *Income from Business:* Profit from sole proprietorship business Tk. 85,000. In the previous year he incurred loss of Tk. 20,000 in the same business and carry forward Tk. 7,000 for set off in this year. During the year he also generated profit from partnership firm Tk. 55,000.
- *Other incomes:* Dividend received Tk. 45,000 from a private limited company; and interest received from bank savings account Tk. 3,600.

During the year Mr. Alam paid Tk. 60,000 and Tk. 45,000 as insurance premium for his own and his spouse respectively. He purchased share of a company from primary market Tk. 7,500. He also purchased medical books for Tk. 12,000 during the year. He donated Tk. 32,500 to prime minister's relief fund; Tk. 12,000 to his relatives and Tk. 25,000 to Aga Khan Development Foundation.

PC17.7: Mr. Azimul Hoque presents the following particulars of income for the current income year. Compute his total taxable income and tax liability for the year.

- *Income from Employment.* Basic salary (BS) on 1st August, 2024 was Tk. 11,200 in the scale of 8,500-900x10-17,500 (increment date: 1st April). He received

dearness allowance @ 8% of BS and medical allowance of Tk. 700 per month. He received two bonuses each equivalent to one month's BS, both received before the date of increment. He contributes 10% of his BS to a statutory provident fund. He has been provided with a rent-free quarter (annual rental value Tk. 72,000) for which 5% of BS is deducted. He has been provided with a car for office use for which Tk. 300 per month is charged.

- *Income from Rent:* He has a house. Half of the house is let out at Tk. 30,000 per month and the other half is used for his residence. He has also signed supplementary agreements with the tenants and based on that he receives Tk. 6,000 for repair and maintenance, and Tk. 4,000 as service charge. The annual value of each flat is set as Tk. 360,000. From the tenant, in the income year 2023-2024, he received advances of Tk. 500,000 (to be adjustable against rent Tk. 10,000 per month) and Tk. 200,000 for security deposit (not adjustable against rent). Expenses of the house for the year were as follows: Land development tax Tk. 5,500; Interest on H.B.F.C. Loan Tk. 30,000; maintenance for Water Pump, etc. Tk. 2,000 and Municipal Taxes Tk. 4,400. The house remained vacant for one month during the year with proof.
- *Agricultural Income:* Income from rubber garden Tk. 35,000 and Sale of Agri-products Tk. 620,000. Other expenses (excluding production cost) relating to agricultural were Tk. 25,000.
- *Business Income:* Income from sole-tradership business Tk. 77,000; last year's loss carried forward Tk. 11,000.
- *Other income:* Prize of Prize Bond Tk. 22,000; Interest on Bank Deposits (Gross) Tk. 9,000; Dividend income Tk. 18,000; Profit from Islami Bank Tk. 7,000; and Interest on 5-year Bangladesh Savings Certificate Tk. 27,000.

During the year he incurred expenses for: family expenses Tk. 280,000; insurance premium, own Tk. 60,000 (policy value Tk. 500,000) and for spouse Tk. 30,000 (policy value Tk. 400,000); purchased share of: an unlisted company Tk. 25,000, of a listed company Tk. 20,000, and from stock exchange Tk. 90,000; purchased books Tk. 4,000; donated to Prime Minister's Relief Fund Tk. 10,000; deposited to pension scheme per month Tk. 500; and paid to Zakat fund Tk. 3,000.

PC17.8: Mr. Selim is the chief accountant of a public limited company. His sources of income for the current income year were as follows:

- *Income from Employment:* Basic salary (per month) Tk. 22,000; Entertainment Allowance 5% of basic salary; Medical Allowance 10% of basic salary; Two Bonus (each equal to one month's basic salary); Mr. Selim has been provided with a rent free furnished house annual rental value of which was Tk. 96,000 and a full time car for his personal use. He contributed 10% of basic salary to Recognized Provident Fund (RPF) and his employer also contributed the same amount.
- *Income from House Property:* Tk. 348,000
- *Income from Agriculture:* Income from tea garden Tk. 32,000 and other agricultural income Tk. 25,000.

- *Income from Business or Profession:* Income from sole proprietorship business Tk. 237,000, and last year's loss carried forward Tk. 17,000.
- *Capital Gain:* Mr. Selim purchased a machine for his sole proprietorship business on 1st August 2013 at Tk. 75,000. On 31st March 2024 it was sold for Tk. 82,000 when the WDV was Tk. 60,000.
- *Interest on Sanchaypatra:* Tk. 35,000
- *Other income:* Dividend from Mutual Fund Tk. 25,000; dividend from Unit Fund Tk. 21,000; dividend from a limited company Tk. 9,000; interest from bank deposit Tk. 5,400; interest from 3-year Bangladesh savings certificate Tk. 18,000; royalty received as an author Tk. 55,000; and Prize of lottery Tk. 75,000.

Mr. Selim made and incurred the following investment and expenses respectively during the said year: life insurance premium Tk. 40,000; value of the policy worth Tk. 600,000; deposited to pension scheme per month Tk. 2,500; household expenses Tk. 1,78,000; investment in primary share of a listed company Tk. 30,000; investment in Recognized Provident Fund (RPF) both by employee and employer total Tk. 52,800; donated to prime minister's relief fund Tk. 95,000; purchase of ICB certificate Tk. 35,000. Ascertain his tax to be paid in the assessment year.

PC17.9: Mr. Miskat is a service holder. Calculate his tax liability considering the following sources of income for the current income year: basic salary (BS) Tk. 15,500 per month (pm), medical allowance Tk. 1,500 pm, conveyance allowance 10% of BS, performance bonus 3 months BS, and leave encashment 15 days leave. He has been provided with a 1500 cc car for personal use and also a rent-free furnished house with annual rental value of Tk. 60,000. During the year he has been disbursed with Tk. 16,000 of medical expense spent for eye surgery. He received two festival bonuses each equal to a month's BS. He contributed 10% of BS to recognized provident fund (RPF) and his employer also contributed 8% to the fund.

Mr. Miskat received Tk. 310,000 from the sale of agri-products and Tk. 15,000 from rentals of agricultural land. He did not maintain any books of accounts regarding income from agriculture, but he submitted following details of expenses – land development tax Tk. 4,100; local tax Tk. 3,750; insurance premium Tk. 8,500; maintenance cost of irrigation plant Tk. 12,650 and Tk. 6,350 as interest on loan taken from Krishi Bank. According to ITA he is allowed to charge depreciation Tk. 3,500 against the machineries used for agricultural purposes.

During the year he earned the followings from different other sources – Tk. 18,500 from sale of fishes from pond; dividend from ICB unit certificate Tk. 11,000; dividend from private limited company Tk. 6,750; interest on bank deposit Tk. 7,200; profit from Islami Bank Tk. 7,500 and interest on 3-year Bangladesh savings certificate Tk. 18,000. He purchased shares worth Tk. 100,000 of an approved company (public) in the income year and disposed it off within six months of the purchase making a gain of Tk. 120,000. He was the original allottee of the shares.

During the year he incurred and made the following expenses and investments: insurance premium paid (policy value Tk. 400,000) Tk. 40,000; purchase primary share of a listed company Tk. 35,000; purchased Law and academic books Tk. 5,000; donated to Deposit pension Scheme per month Tk. 2,000; paid to Zakat Fund Tk. 15,000; purchase of savings certificate Tk. 28,000.

PC17.10: Mr. Gomes furnished the following particulars of his income for the current income year. Calculate his taxable income and net tax liability for the year.

- *Income from employment:* (after all adjustment following ITA, 2023) Tk. 422,500.
- *Income from Rent:* Mr. Gomes is the owner of a three-storied building at Mohakhali. Mr. Gomes resides with his family on the 2nd floor, the ground floor is used by his son as medical chamber and the other floor is let out at a monthly rent of Tk. 15,500. The following expenses were incurred during the income year for that house: city corporation tax Tk. 2,200 per quarter; White wash expense Tk. 25,000; Insurance premium Tk. 12,000; Electricity for water pump Tk. 3,000; Caretaker's salary Tk. 2,500 per month (which was paid by the tenants); Land revenue paid Tk. 3,300; Mortgage loan paid Tk. 45,400 (of which Tk. 40,000 is principal on loan); Interest paid to HBFC Tk. 2,400; and Alteration cost for ground floor Tk. 37,000.
- *Income from Agriculture:* Sale of Jute 310 maunds @ Tk. 250 per maund and Income from rubber garden Tk. 80,000.
- *Income from Business:* Share of profit from Partnership firm Tk. 85,000; and Profit from sole proprietorship business Tk. 75,000.

During the year he incurred and made expenses for and investments in: life insurance premium paid Tk. 68,000; purchase of shares: unlisted company Tk. 28,000 and listed company Tk. 42,000; donated to: Prime Minister's Relief Fund Tk. 55,000, religious institution Tk. 8,000 and local club Tk. 3,000; deposited to pension scheme per month Tk. 2,000; and purchase of books Tk. 6,000.

PC17.11: Mr. Milky, CEO of a Multinational Company in Bangladesh, has got the following income for the current income year. You are required to calculate the total income and tax payable of Mr. Milky considering: basic pay Tk. 150,000 per month (p.m.) sent to his bank account; rent free accommodation fully furnished by the company; 2700 cc full time company car for his own use and for his family; company pays Tk. 100,000 p.m. for his three school going children which is paid to the school authority directly. He received two festival bonuses equivalent to basic pay during the festival time which he spent partly for his family and partly for the poor people in his village; driver's salary Tk. 10,000 p.m. paid to his driver's bank account; company paid Tk. 300,000 to him during the year being the reimbursement of various utility bills of his house; mobile bill paid Tk. 5,000 per month. He was paid Tk. 1,000,000 for his overseas travels for the official trip out of which he saved 25% during the year; He was paid for international club Tk. 250,000; He received interest on debentures Tk. 150,000

on his investments; He has got one house of his own at Baridhara and he received total Tk. 1,200,000 as rent during that income year; He paid Tk. 150,000 as life insurance premium for himself. He invested Tk. 1,500,000 on government bonds and primary shares of various companies; and received dividend Tk. 150,000 during the year.

PC17.12: Mr. Abi is a salaried employee of a private company. His salaries and allowances are as follows, based on which compute his tax for the current assessment year: basic salary Tk. 25,000 per month; House rent allowance Tk. 17,000 per month; Conveyance allowance Tk. 2,000 per month; Entertainment allowance Tk. 1,000 per month; Two months salary paid as bonus for the relevant income year; He contributed Tk. 2,500 to his provident fund while his employer contributes and equal amount; He has let out his house property to a foreign mission as office. The rent he gets is Tk. 60,000 per month; He has sold one vacant plot of land at Tk. 2,500,000 which he purchased seven years back at Tk. 1,000,000. The gain derived from this property has been invested in the purchase of shares of a public limited company; He also sold another building and land appurtenant thereto at Tk. 2,000,000. This property was acquired in 1978 at Tk. 300,000. He informed the DCT that another house property will be purchased for office like the old one in about a year's time; He sold savings certificates purchased two years back at Tk. 47,000. He purchased 5 years sanchoy patra during the same year at a cost of Tk. 200,000.

PC17.13: Miss Fatema is the Finance Controller of a Manufacturing company, had the following income under different head for the current income year. You are required to compute the total income and tax of Miss Fatema for the year considering her allowable investment is Tk. 250,000 for the year.

- **Income from Employment:** Basic Salary (BS) Tk. 35,000 per month; Miss Fatema has been provided a rent free full furnished accommodation for which the company paid monthly rent of Tk. 20,000; entertainment allowance Tk. 2,000 per month; medical allowance @ 10% of BS; incentive bonus Tk. 200,000; advance salary Tk. 35,000; leave fare assistance received Tk. 120,000 for traveling abroad (actual spending Tk. 110,000) as a part of her agreement. She is provided with a servant at a monthly salary of Tk. 3,000; She has been provided with a 1500cc full time car; She contributed Tk. 3,000 per month to a RPF where her employer also contributes the same amount.
- **Interest on other sources:** Interest on taxable government securities Tk. 20,000 (gross); interest on debentures Tk. 48,000; these interests were collected by a bank for a 5% collection fees. Miss Fatema borrowed Tk. 100,000 @ 10% interest to finance investment in debentures. She received remuneration as consultant Tk. 45,000; income from letting agricultural land Tk. 20,000; dividend from a limited company Tk. 18,000; sale of pond fish Tk. 8,000; and minor's income Tk. 23,000.

PC17.14: Mr. Asmit has been working in a private firm starting with a basic pay of Tk. 20,000 with 10% increase in every year which results a monthly salary of Tk.

27,500 at the last month of current income year. The date of annual increment was 1st October. He is also entitled to a house rent allowance @ 60% of basic salary; profit bonus @ 1.5% of net profit of the firm; two festival bonuses each equal to a month's basic pay (both received after increment) and a 1500cc full-time car. Mr. Asmit contributed 10% of basic salary to RPF and his employer also contributes the same percentage in that fund. During the year net profit of that firm was Tk. 7,500,000.

Mr. Asmit is the owner of a two storied building at Baridhara, Dhaka and he let out the whole building at a monthly rent of Tk. 27,000. Besides all other maintenance expense, he paid municipal tax of Tk. 1,500 per quarter for that house. Mr. Asmit took a loan of Tk. 1,000,000 @ 14% from a bank by placing that house as collateral to meet the construction cost. During the year he paid installment of loan Tk. 54,720 (including interest of Tk. 4,800).

During the year Mr. Asmit visit Pakistan as a consultant and generated Tk. 200,000 and he paid income tax @ 25% in Pakistan as per DTA. From another visit to Russia, he generated Tk. 300,000 and paid income tax @ 20%. Mr. Asmit has received Tk. 3,600 as interest from the savings account of his minor child and he has purchased shares of Tk. 200,000 of Public Limited Companies in the name of his wife from which his wife has received Tk. 54,000 as dividend.

Ascertain total taxable income and tax liability for Mr. Asmit for the assessment year 2024 - 2025. Consider allowable investment for the year is Tk. 250,000 and his wife did not submit any return in her name.

PC17.15: Ms. Tarana Amin has the following sources of income for the current income year. Calculate Ms. Halim's taxable income and tax liability for the year.

- **Income from Employment:** Basic salary (BS) Tk. 12,000 per month (pm); dearness allowance 20% of BS; two festival and one performance bonuses each equivalent to one month's BS; medical allowance Tk. 1,000 pm; conveyance allowance Tk. 2,000 pm; conveyance allowance Tk. 2,000 pm; house rent allowance 60% of the BS. She contributes 10% of her BS to an un-recognized provident fund. Her employer also contributes the same amount. She has been rewarded with a travel allowance of Tk. 50,000 for travel to Maldives (actual spending Tk. 45,000) as recognition of her good performance. This allowance was not as a part of his regular contract.
- **Interest on Rent:** She owns two houses in Mirpur. She uses one of the houses as his residence and another one has been let out for commercial purpose at a rate of Tk. 12,000 per month. The municipal values of both the houses are Tk. 100,000 and Tk. 120,000 per annum respectively. During the year, she has spent Tk. 15,000 for the house he uses as residence and the expenses for the let-out house were: repairs Tk. 6,000; legal charges Tk. 4,000; municipal tax Tk. 1,500; land revenue Tk. 1,000; and salary of the caretaker Tk. 10,000. During the year, the house remained vacant during June.

- *Agricultural income:* Sale of crops Tk. 15,000; Income from lease of agricultural land Tk. 12,000; Income from sale of sugarcane Tk. 10,000; and Income from rubber garden Tk. 12,000.
- *Capital gain:* She purchased 750 shares worth Tk. 75,000 of a listed company in the current income year and sold all in the same income year at Tk. 100,000. Moreover, she has sold a 3 Katha plot in Dhaka at Tk. 1,000,000 the cost of which is Tk. 600,000. TDS paid by him Tk. 50,000 at the time of registration.
- *Other sources:* Interest on taxable government securities Tk. 6,300; interest on debentures Tk. 15,000; and interest on Zero Coupon Bond Tk. 3,000; Interest income from savings bank account Tk. 1,800; interest on post office savings bank account Tk. 900; dividend from a private limited company Tk. 1,800; sale of fish from pond Tk. 2,000; royalty from government Tk. 10,000; honorarium as a guest lecturer Tk. 25,000; and prize of National Heart Foundation Lottery Tk. 50,000.
- *Investment claimed by Ms. Tarana Amin:* Payment of life insurance premium Tk. 12,000 (Policy value Tk. 100,000); Donated to a Mosque Tk. 500; Purchase of books Tk. 1,000; Purchase share of a co-operative society Tk. 2,000; Contribution to: NTV Relief Fund Tk. 3,000, one of his poor relatives as Zakat Tk. 2,500 and Contribution to Ahsania Mission Cancer Hospital Tk. 20,000.

PC17.16: Calculate taxable income and tax liability of Ms. Surma Zoha a university teacher for the current assessment year. Ms. Zoha received Basic salary including two festival bonuses for the year total Tk. 700,000. The authority deducted @ 10% TDS. She contributed 10% of the receipt amount to her RPF and her authority also contributed the same amount to the RPF. She is the owner of a four storied building at Dhanmondi received as gift from her father. She resides in the second floor with family and all other floors (in each floor there are two flats) are let out at a monthly rent of Tk. 14,000 per flat. The municipal value of the house is 15,00,000. One flat remains vacant for 2 months.

She has agricultural land in her village from which she sold crops Tk. 65,000; a timber tree Tk. 17,000 and jute Tk. 28,000. She didn't maintain any books of account. She operates a stationary shop from where she earns profit of Tk. 178,000 during the income year. She also received Tk. 33,000 from her electronics business. In the previous year she had loss from electronics business Tk. 47,000 which she carried forward this year. She also taught in another private university and received honorarium Tk. 135,000 and for participating to a seminar Tk. 18,000.

She incurred expenses for the house in the year are: Repair and maintenance Tk. 250,000; City Corporation tax Tk. 22,000; Insurance premium Tk. 18,000; Caretaker and Night Guard salary Tk. 2,25,000; Land revenue Tk. 8,550; Mortgage interest paid Tk. 25,000; She paid interest to Mercantile bank Tk. 50,000 which she borrowed for renovation the house; life insurance premium Tk. 35,000 (policy value Tk. 400,000); Donation to Zakat fund Tk. 25,000; purchased gold for Tk. 165,000 and purchased book for Tk. 12,000. She paid salary to the driver 180,000 during the year.

PC17.17: Mr. Mahid is the chief accountant of a private company. Considering the following data ascertain his total income and tax to be paid for the current income year.

- Income from Employment Tk. 300,000; income from security Tk. 15,000; income from house property Tk. 250,000; agriculture income includes: income from tea garden Tk. 15,000 and other agricultural income Tk. 30,000; income from business or profession includes: income from sole proprietorship business Tk. 360,000 (last year's loss carried forward Tk. 20,000); dividend from mutual fund Tk. 27,000; dividend from unit fund Tk. 18,000; dividend from a limited company Tk. 27,000; interest from bank deposit Tk. 2,700; interest from post office savings bank Tk. 27,000; royalty received as an author Tk. 45,000.
- Mr. Mahid purchased a machine for his sole proprietorship business on 1st August 2014 at Tk. 180,000. On 31st March of this income year, it was sold for Tk. 210,000 when the written down value (WDV) was Tk. 120,000. Mr. Mahid made investment and expenses during the said year for: life insurance premium Tk. 12,000 (policy worth Tk. 100,000); deposited to pension scheme per month Tk. 1,000; household expenses Tk. 18,000; investment in primary share of a listed company Tk. 20,000; investment in Recognized Provident Fund (RPF) both by employee and employer total Tk. 36,000; donated to prime minister's relief fund Tk. 100,000; and purchase of ICB certificate Tk. 20,000.

PC17.18: Mr. Arshad Amin is an executive of a private firm. He receives basic salary (BS) of Tk. 35,000 per month (pm) with allowances for medical Tk. 3,000 pm; dearness 10% of BS; entertainment 5% of BS; house rent Tk. 20,000 pm, and travel Tk. 45,000. He also received two festival bonuses (each equal to one month's BS) and performance bonus equal to four months' BS. The company provides him a 1500cc full time car that he can use for his personal purposes also. He received Tk. 16,500 as leave encashment during the year. He contributes 10% of BS to a recognized provident fund (RPF) and his employer also contributes the same percentage to that fund. He also contributes 1% of BS to welfare fund and 2% of BS to Zakat fund. He received interest from the RPF Tk. 12,500.

Mr. Arshad is the owner of a two storied building that he let out at the following monthly rent: ground floor Tk. 8,000 and first floor Tk. 10,000. All this rent is inclusive of gas and water bill for which he also spent Tk. 22,000 in that year. He has received advance of Tk. 200,000 as security deposit. Other expenses relating to the house are – municipal tax Tk. 4,000; caretaker salary Tk. 2,000 per month; maintenance expense Tk. 60,000; fire insurance Tk. 3,000 per quarter, and interest on mortgage loan Tk. 6,500.

Mr. Arshad operates a stationary shop from where he earns a profit of Tk. 140,000 during the year. He also received Tk. 22,000 from his electronics business. In the previous year he had loss from electronics business Tk. 40,000 that he carried forward this year. The tax authority identified a piece of land situated at Baridhara, Dhaka was

registered in the name of Mr. Arshad Amin. That land was purchased at Tk. 2,000,000 which the authority believes was undervalued by 10%. During the year Mr. Amin received Tk. 22,500 as profit from Islami Bank. Calculate Mr. Arshad Amin's total taxable income and net tax liability for the current income year considering his eligible amount of allowable investment for the year is Tk. 220,000.

PC17.19: Followings are the income of Mr. Akhand for the current income year.

- Mr. Akhand is the sales manager of Navana Traders. He received basic salary (BS) of Tk. 33,500 per month; 10% of BS as medical allowance; 60% of BS as house rent allowance; Tk. 3,500 per month as conveyance allowance, and 1% of sales as commission. Mr. Akhand is entitled to use the office car to conduct business affairs. The firm deducts 10% of BS as contribution to recognized provident fund (RPF); 2% of BS as contribution to old age fund and monthly Tk. 1,000 as income tax. The employer also contributes the same percentage to RPF as Mr. Akhand contributed. 10% of BS. Navana Traders sales revenue for the year is Tk. 82 lacs. Considering the good performance, the firm declared performance bonus to all employees equal to 3 times of BS. Besides this, all employee received two festival bonuses each equal to half month's BS or Tk. 18,000 whichever is higher. TDS on salary is Tk. 12,000.
- Mr. Akhand owns a house at Baridhara, Dhaka, where he lives with his family. He could have let out the house at a monthly rent of Tk. 30,000.
- Mr. Akhand received Tk. 70,000 from the sale of agri-products. He maintained all the records of expenses relating to agriculture. As per the record, he paid Tk. 40,000 cultivation expense including labor cost; Tk. 3,515 for local rates and taxes; Tk. 18,000 insurance premium and interest on loan Tk. 15,000.
- Mr. Akhand also received Tk. 3,600 interest on post office deposit, Tk. 52,000 from sale of river fish and Tk. 58,500 dividend from a public limited company.

During the year Mr. Akhand incurred investments in life insurance premium (policy value Tk. 100,000) Tk. 9,000; deposited in a pension scheme Tk. 6,000 per month; purchased of a laptop Tk. 150,000; donation to: zakat fund Tk. 148,000, local madrasa Tk. 28,000, Bangladesh Football Federation Tk. 24,000; purchase of motor car Tk. 650,000. Calculate taxable income & tax liability of Mr. Akhand for the year.

PC17.20: Ms. Afroza Rahman is the chief accountant of a private limited company. Her sources of income for the current income year include basic salary (BS) Tk. 25,000 per month (pm); medical allowance Tk. 2,500 pm; conveyance allowance Tk. 3,625 pm; mobile bill allowance Tk. 3,000 pm; dearness allowance 5% of BS; two festival bonus, each equal to one month's BS. Ms. Rahman has been provided with a house for which the company pays rent of Tk. 15,000 pm. Annual rental value of the house is Tk. 300,000. Beside, she has been provided a servant for whom company pays a monthly salary of Tk. 2,500. She also enjoys the benefit of a 1500cc full time car for which the company paid maintenance expense of Tk. 20,000 during the year. She uses the car both for personal

and office purposes. She contributed 10% of BS to a recognized provident fund (RPF) and her employer also contributed the same amount. She contributed five days BS to a sick employee. The company deducted monthly Tk. 2,000 from her salary as income tax.

Ms. Rahman is the owner of a sole proprietorship business from where she earned net profit of Tk. 595,000 during the current fiscal year. This profit figure is after deduction of salary paid to Ms. Rahman Tk. 96,000; research & development expense Tk. 37,000; fund embezzlement occurred during office hour Tk. 2,500 and depreciation Tk. 45,000. For tax purpose depreciation is allowable by Tk. 37,000. She sold her three-storied building for Tk. 2,300,000 in December of current income year, which was purchased on March 2012 for Tk. 1,500,000. In January 2013, the building was extended at a total cost of Tk. 100,000. He paid Tk. 70,000 as TDS during the registration.

Ms. Rahman sold 200 mounds of rice @ Tk. 585 per mound and rabi crops Tk. 35,000 that was grown in her cultivable land. She kept records of all expenses with proper books of accounts. According to her statement expenses relating to cultivation and others are: labor charge Tk. 30,000; cost of seeds and fertilizer Tk. 25,000; union parishad tax Tk. 3,250; crop insurance premium Tk. 2,000 per quarter; depreciation cost Tk. 16,000. Ms. Rahman charge depreciation at a flat rate of 15% on the assets used for agricultural purposes which are: tractor (worth Tk. 50,000), power pumping machine (worth Tk. 15,000), weighing machine (worth Tk. 15,000), and cost of irrigation channel (worth Tk. 10,000). Ms. Rahman also generated income from tea garden Tk. 80,000; sale of share Tk. 20,000 (cost Tk. 12,000); sale of palm juice Tk. 5,000, sale of pond fish Tk. 8,000 and interest on post office savings bank Tk. 18,000.

Considering the following investments for the year, calculate her tax liability: insurance premium paid Tk. 80,000 (policy value Tk. 1,000,000); son's educational expense paid Tk. 44,000; donated to recognized fund Tk. 115,000; contributed Tk. 2,000 per month in DPS; purchased unlisted company's share, family savings certificate, and tax-exempt government securities respectively for Tk. 25,000, Tk. 80,000, and Tk. 112,000.

PC17.21: Mr. Siddiqur Rahman works as the Head of Marketing of Edison Electronics Limited. During the current income year, he received basic salary (BS) of Tk. 50,000 per month. Other benefits and allowances include: medical allowance Tk. 7,500 per month; 2 month's BS as festival bonus and one month's basic as incentive allowance annually. He has been provided with a rent-free furnished house having annual rental value of Tk. 1,44,000 and a 2600cc full-time car for his personal use. He and his employer contribute 10% of BS to recognized provident fund. He received Tk. 3,000 monthly entertainment allowance. He has also been provided with telephone facilities at office and residence. The bills for this telephone amounted to Tk. 36,000 and Tk. 20,000 for the year.

Mr. Rahman has a house at Bashundhara Residential Area, Dhaka which has been let out at Tk. 50,000 per month. The expenses for the house includes repair expenses Tk.

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30,000; salary of caretaker Tk. 24,000; city corporation tax Tk. 10,000; and installment of HBFC Loan (including interest Tk. 30,000) Tk. 180,000. During the year he sold agri-products Tk. 250,000 and received cash rental of agricultural land Tk. 80,000. He also sold honey for Tk. 20,000. Expenses relating to agriculture were - local rates and taxes Tk. 5,000, insurance premium Tk. 8,000; interest on loan Tk. 15,000 and land development Tk. 25,000.

During the year he had income from 10% debentures as interest Tk. 19,000; investment on 12% debentures Tk. 1,00,000 and Tk. 72,000 as interest (net of tax) on 5-Year Bangladesh Sanchaypatra. The Bank has charged Tk. 200 for collecting interest on tax-debenture. He has a sole tradership business from which he received profit of Tk. 1,20,000. In the last year the business carried forward a loss of Tk. 35,000.

His income from different other sources include interest on bank deposits Tk. 40,000; receipt from gift Tk. 30,000; receipt from Deposit Pension Scheme on maturity Tk. 1,20,000 (interest Tk. 20,000); sale of car Tk. 5,50,000 (cost of the car was Tk. 8,00,000 and depreciation so far charged Tk. 3,00,000); prize for passing departmental exam Tk. 30,000. His investments during the year were in: life insurance premium Tk. 55,000; donation to ICDDRDB Tk. 12,000; purchase of ICB unit certificate Tk. 75,000; purchase of share from IPO Tk. 78,000 of which Tk. 25,000 has been provided from sale of share purchased in last year (purchase value of which was Tk. 28,000); contribution to Government Zakat Fund Tk. 12,000; and contribution to Muktijuddho Jadughar Tk. 32,000. Compute the total income and tax payable by Mr. Siddiqur Rahman for the year.

PC17.22: Mr. Jasim Uddin works as an executive in ACI Ltd. He has the following sources of income, expenses, and investment for the current income year. Calculate Mr. Jasim's taxable income and tax liability for the year.

- *Income from Employment:* Basic Salary (BS) Tk. 40,000 per month (pm); dearness allowance 20% of BS; two festival bonuses and one performance bonus each equivalent to one month's BS; medical allowance Tk. 1,000 pm; conveyance allowance Tk. 2,000 pm. He has been provided with a 1500 cc car both for official and personal use. He received a free air ticket, market value of which is Tk. 10,000 during the year for official tour.

He has also been provided with a furnished house for which he pays 20% of his BS. Annual rental value of the house is Tk. 260,000. He and his employer contributed 10% of his BS to a recognized provident fund (RPF). He has been given an offer to receive 1000 shares (face value Tk. 10 per share) under the Employee Share Scheme by the organization at a 10% discounted price with an option to transfer or sale the right to a third party. He transferred the right to another person at a price of Tk. 15 per share on May 10, 2024. He also received Tk. 27,600 as arrear salary of last year for which no tax has been charged earlier.

- *Income from Rent:* He owns two houses in Mirpur. He uses one of the houses as his residence and the other one has been let out for commercial purpose for Tk. 12,000 monthly rent. The municipal value of the houses are Tk. 100,000 and Tk. 120,000 per annum respectively. During the year, he spent Tk. 15,000 for the residential house and expenses for the let-out house includes, repairs Tk. 46,000; legal charges Tk. 4,000; municipal tax Tk. 1,500; land revenue Tk. 1,000. During the year, the let-out house remained vacant during June with proof.
- *Agricultural income:* Sale of crops Tk. 15,000; income from lease of agricultural land Tk. 12,000; income from tea and rubber garden Tk. 10,000 and Tk. 12,000.
- *Capital gain:* He has sold a car used in his business for Tk. 150,000. The cost of the car was Tk. 100,000 and accumulated depreciation on disposal was Tk. 80,000.
- *Interest incomes:* Interest on taxable government securities Tk. 6,650; interest on debentures Tk. 14,250 and interest on zero coupon bond Tk. 3,000; Interest income from savings bank account Tk. 1,800; interest on post office savings bank account Tk. 810; dividend from a public limited company Tk. 1,800;
- *Income from other sources:* sale of fish from pond Tk. 4,000; royalty from writing an Income Tax related book Tk. 10,000; honorarium as a guest lecturer Tk. 25,000.

Investments claimed by Mr. Jasim: Payment of his own life insurance premium Tk. 12,000 (policy value Tk. 100,000); payment of his wife's life insurance premium Tk. 8,000 (policy value Tk. 100,000); purchase of a unlisted company's share Tk. 5,000; share purchase of a co-operative society Tk. 2,000; contributed to NTV relief fund Tk. 3,000; paid zakat to one of his poor relative Tk. 2,500; purchase of diamond jewellery for wife Tk. 300,000; purchase of books and magazines Tk. 1,000; purchase of 5-year Bangladesh Savings Certificate Tk. 20,000; contributed to Lab Aid Hospital Tk. 50,000; and donation to a political party Tk. 250,000.

PC17.23: Ms. Veronica Rozario furnished the following particulars of her income for the current income year. Compute her total income and tax liability for the year.

- Ms. Veronica Rozario is an assistant professor of a private university from where she receives basic salary (BS) under the pay scale of 35,000 - 3,500 × 4 - 49,000. In January of the current fiscal year she received BS of Tk. 38,500 and her annual salary increment date is 1st November. Besides, she received house rent allowance @ 40% of BS; medical allowance Tk. 1,000 per month; entertainment allowance Tk. 17,200 during the year (actual expense Tk. 14,800); she has been provided with a 1500 cc car for official purposes. She also received 2 festival bonuses (in October and December) and one performance bonus (in June) each equal to a month's BS. She and her employer contributed 10% of her BS to a recognized provident fund (RPF). She received Tk. 30,000 interest @ 15% on the accumulated balance of RPF and contributes 5% of BS to a group insurance. TDS on salary Tk. 66,000.
- She is the owner of a three-storied building at Mirpur. She resides with her family on one floor and the other two floors were let out to a coaching center. According to the agreements the tenants must deposit Tk 50,000 per floor to her bank account

on a monthly basis. In the income year 2023-2024, she received advances of Tk. 400,000 (to be adjustable against rent Tk. 20,000 per floor per month) and Tk. 5,00,000 for security deposit (not adjustable against rent) from each tenant. During the current income year, according to the agreement, the tenants paid service charges Tk. 40,000 in total. She also received Tk. 10,000 for letting out the lawn to an NGO for a vaccination program. During the year, one floor was vacant for one month and she has the electricity bill as proof. She paid the following expenses related to the property for the year: repair expenses Tk. 190,000; city corporation tax Tk. 24,000; insurance premium Tk. 15,000; caretaker and night guard salary Tk. 24,000; painting cost of the building Tk. 15,000; land revenue paid Tk. 3,000; mortgage interest paid Tk. 60,000; legal expense Tk. 6,000; alteration cost for ground floor Tk. 30,000; installation of generator Tk. 50,000; and fuel cost of generator Tk. 20,000. Compute income from rent for the year.

- Sale of rice 180 maunds @ Tk. 480 per maund; income from tea garden Tk. 120,000; income from lease of agricultural land Tk. 12,000; and income from sale of sugarcane Tk. 38,000. She doesn't maintain the books of accounts properly. The following expenses were claimed by her as admissible expenses for the year: production cost Tk. 100,000; ordinary processing cost Tk. 4,000; crop insurance Tk. 24,000; land development tax Tk. 5,000; and purchase of a tractor Tk. 30,000. Income from Fisheries Project Tk. 30,00,000.
- Profit from sole proprietorship business Tk. 120,000 (loss carry forwarded from last year of this business Tk. 10,000); and loss on speculative business Tk. 20,000.
- Share of profit of an unregistered partnership firm (no tax has been paid by the firm) is Tk. 25,000
- Capital gain is Tk. 20,000
- Dividend from a public limited company Tk. 9,000; dividend from mutual fund Tk. 21,600; and interest on Savings Bank Account Tk. 2,700

Investment claimed by Ms. Veronica for the year includes: payment of her own life insurance premium Tk. 12,000 (policy value Tk. 100,000); payment of her husband's life insurance premium Tk. 8,000 (policy value Tk. 100,000); purchase of shares of a listed company (IPO) Tk. 5,000; purchase of books and magazines Tk. 1,000; purchase of land Tk. 100,000; contribution to NTV relief fund Tk. 3,000; contribution to one of his poor relative as zakat Tk. 2,500; purchase of motor cycle Tk. 150,000; contribution of zakat to Peace TV Tk. 50,000; purchase of less tax government security Tk. 20,000. During the year she spent Tk. 200,000 to purchase a land, Tk. 100,000 to purchase a motorcycle and the sources of expenditure remained unexplained to the DCT.

PC17.24: Mr. Hossain Ahmed is an assistant professor at a private university. Details of his income sources for the current income year are given below to calculate his tax liability.

- His pay scale is 35,000 – 3,500 × 4 – 49,000. In the last month of the income year, he received basic salary (BS) of 38,500 and the annual salary increment date is 1st

November. He also received dearness allowance 10% of BS; two bonuses (in October & in January) equivalent to two months BS; medical allowance Tk. 2,000 per month; entertainment allowance Tk. 1000 per month (actual expense Tk. 2,000). He has been provided Tk. 3,000 per month as conveyance allowance and 55% of his basic salary as house rent allowance. He has been given travel allowance of Tk. 10,000 as a reward for his good performance, out of which he spent Tk. 8,000. He has also received Tk. 50,000 as medical bill reimbursement for his knee joint operation. He contributes 10% of his BS to a Recognized Provident Fund (RPF). He has received one month arrear salary of Tk. 35,000 which was not taxed earlier.

- He owns two houses, in Dhanmondi and in Motijheel (municipal value Tk. 300,000 and Tk. 500,000 respectively). He uses his Dhanmondi house as his residence and Motijheel house is let out to a bank for Tk. 50,000 per month. He received Tk. 400,000 as advance from the tenant. During the year he spent following expenses: *For Motijheel house:* Repair Tk. 90,000; insurance Tk. 15,000; legal expense Tk. 1,000; and land development tax Tk. 1,500. *For Dhanmondi house:* Repair Tk. 70,000; insurance expense Tk. 20,000; and land development tax Tk. 1,500.
- Sale of crops Tk. 50,000; income from barga Tk. 2,000; lease of agricultural lands Tk. 15,000; sale of tea Tk. 10,000; sale of rubber Tk. 15,000. He has sold a tractor at a price of Tk. 42,000 (cost Tk. 40,000, accumulated depreciation Tk. 4,000).
- Share of profit from a partnership firm Tk. 50,000
- Income of spouse or minor child Tk. 30,000
- Profit from garments business Tk. 40,000, Profit from Tobacco manufacturing business, and loss from paper business Tk. 20,000.
- Capital gain from sale of shares Tk. 50,000.
- Income from royalty Tk. 10,000; dividend from ICB Mutual Fund Tk. 31,500; dividend from a public limited company Tk. 54,000; profit from Islami Bank Tk. 18,000. He has participated in Microsoft Quiz Competition in America and own 1st prize of Tk. \$1,000. He has brought the money to Bangladesh through banking channel and received Tk. 120,000 after deduction of bank charges.

Additional Information:

- *Investment claimed by Mr. Ahmed:* Payment of life insurance premium Tk. 12,000 (policy value Tk. 100,000); purchase of a listed company's secondary share Tk. 100,000; purchase of books and magazines Tk. 1,000; share purchase of a co-operative society Tk. 20,000; donation to President's Relief Fund Tk. 30,000; donation to Government Zakat Fund Tk. 20,000; purchase of a desktop computer Tk. 55,000, contribution to DPS Tk. 6,000 per month; purchase of treasury bond Tk. 100,000; purchase of gold Tk. 30,000 and purchase of furniture Tk. 15,000.
- *Net Wealth:* At the end of the year his net wealth is amounted to Tk. 5.5 crore.
- *Advance tax:* He has paid Tk. 50,000 as advance tax for a 1,950 cc Toyota car.
- *Refund claim:* He has claimed Tk. 10,000 tax refund as adjustment of previous assessment year. He has the necessary documents.

PC17.25: Ms. Rokea Afjal works as the Managing Director of a private limited company. Her sources of income for the current income year are given below to calculate tax liability:

- Basic salary (BS) follows the pay scale of 50,000 – 5,000 × 4 – 70,000. In the last month of the income year, she received BS of Tk. 55,000 and the annual increment date is on 21st November. She received two bonuses equivalent to two months BS (one in October & another in January); medical allowance Tk. 10,000 per month (actual expense Tk. 150,000). She has been provided with a 1500 cc full-time car and fully furnished apartment as rent-free accommodation (annual rental value Tk. 240,000). She and her employer both contribute 10% of her BS to a Recognized Provident Fund (RPF) She has received leave encashment of Tk. 10,917 during the year. Moreover, she is also provided with free lunch at office. Tax deducted at source for the year from salary was Tk. 60,000.
- She owns a house in Rampura (municipal value Tk. 350,000). She has let out the house for residential purpose at a rate of Tk. 25,000 per month. She received Tk. 50,000 as advance from the tenant. During the year she spent for loan installment Tk. 240,000 (including principal Tk. 170,000), Tk. 100,000 for repair and maintenance, and Tk. 10,000 for city corporation tax.
- Lease of agricultural lands in village Tk. 200,000.
- Profit from readymade garments business Tk. 30,000.
- She purchased a 5 katha plot in Bashundhara at a cost of Tk. 1,500,000 during 1993. She has sold it at Tk. 10,000,000 in May of current income year.
- Interest on debentures Tk. 25,000. Bank has deducted 10% of interest collected as bank charge. Interest on post office savings bank Tk. 45,000; royalty Tk. 10,000; Income from column writing in a newspaper Tk. 4,800.
- She performed a consultancy for World Bank for 10 days in USA and received an honorarium of \$5,000. She has remitted the amount to Bangladesh through Western Union. Tk. 600,000 was credited to her account by bank in this regard.
- Investment claimed by Ms. Rokea includes: purchase of laptop Tk. 110,000, jewelry Tk. 30,000, shares through IPO Tk. 125,000; donation to National Heart Foundation Tk. 15,000; donation to Prime Minister's Relief Fund Tk. 10,000; purchase of Family Savings Certificate Tk. 10 lac; purchase of books and magazines Tk. 1,000; purchase share of a partnership firm Tk. 20,000; contribution to Ahsania Mission Cancer Hospital Tk. 10,000; distribution of zakat money to street people Tk. 20,000; donation to local mosque Tk. 10,000; purchase of Walton Primo X2 android smartphone Tk. 25,000 & purchase of an apartment Tk. 70 lac. During the year her net wealth is amounted to Tk. 9 crore.

PC17.26: Mr. Ahmed works as a Deputy Secretary under the Ministry of Finance. His sources of income for the current income year are given below. Compute his tax liability for the year. Will there be any difference in total income if he is not a government employee?

- **Salary Income:** Basic salary (BS) Tk. 30,000 per month; a quarter for residence at a concessional rent @ Tk. 5,000 per month although the annual rental value of the quarter is Tk. 250,000; two bonuses equivalent to two months BS; medical allowance Tk. 2,000 per month; a car that can be used for official purpose. He contributes 10% of his BS to a statutory provident fund. **Securities Income:** Interest on debentures Tk. 28,500 (bank charge Tk. 500). **Properties Income:** He owns a flat in Mirpur with a municipal value of Tk. 200,000 annually. He has let out the flat @ Tk. 20,000 per month for residential purpose. For the year, repair and maintenance cost was Tk. 70,000 and city corporation tax Tk. 2,000. During the year the flat was vacant for one month with proof. **Agricultural income:** Sale of paddy Tk. 50,000; sale of sugarcane Tk. 10,000; income from barga Tk. 20,000; lease of agricultural lands Tk. 15,000. **Other Income:** Dividend from a public limited company Tk. 7,200 and interest on post office bank deposit Tk. 27,000.
- Investment claimed by Mr. Ahmed includes payment of life insurance premium Tk. 12,000 (policy value Tk. 100,000); purchase of a listed company's share Tk. 30,000; DPS Tk. 4,000 per month, donation to Government Zakat Fund Tk. 2,500.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
c	b	c	c	d	b	d	a	d	a

TRUE/FALSE

1	2	3	4	5
F	F	T	F	F

SELF – REVIEW 17.1

- (a) Purchase of income tax book : will not be considered
- (b) Share purchase from IPO : will be considered
- (c) Contribution to old age fund : will be considered
- (d) Purchase of land : will not be considered

SELF – REVIEW 17.2

- (a) $(7,600 \div 95 \times 100)$ = Tk. 8,000
- (b) $(9,500 \div 90 \times 100)$ = Tk. 10,000

18

Assessment of Firms

"Today, it takes more brains and effort to make out the income-tax form than it does to make the income."
— Alfred E. Neuman

Chapter Learning Objectives (CLOs)

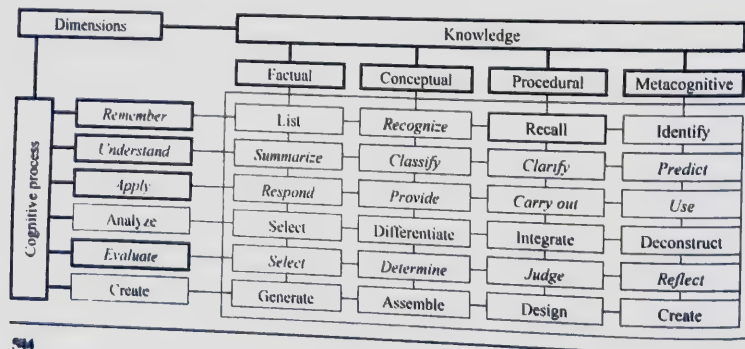
On completion of this chapter, you will be able to:
CLO 18.1 understand the concept of partnership and partner
CLO 18.2 recognize the special provisions in assessing a firm
CLO 18.3 complete the procedure in assessing a firm
CLO 18.4 perform the task of assessing partners of a firm
CLO 18.5 apply set off & carry forward provisions for firm losses
CLO 18.6 evaluate provisions for special cases
CLO 18.7 assess share of spouse or minor child in a firm

KEY TERMS

Partnership, Partner, Firm, Set off & carry forward of losses, spouse or minor child, Constitution, succession, unrecoverable tax, Discontinuation

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



18.1

CLO
18.1

INTRODUCTION

A partnership business is a type of business which is guided by the provisions of Partnership Act, 1932 and partnership deed as agreed upon among the partners. Income Tax Act 2023 defines partners, partnership, and firm with reference to Partnership Act, 1932. Partner means any partner as defined in the Partnership Act, 1932 (Act No. IX of 1932) and any minor will also be included who becomes a partner by receiving share of profit [U/s 2(7)]. A partnership means any partnership as defined in the Partnership Act, 1932 (Act No. IX of 1932)" [U/s 2(8)]. And a firm means any firm as defined in the Partnership Act, 1932 (Act No. IX of 1932)" [U/s 2(58)]. Thus, Income Tax Act 2023 refers the provisions of Partnership Act, 1932 while defining key terminologies related to partnership firm.

18.2

CLO
18.1

PARTNERSHIP AND PARTNER

Partnership is the relationship among partners who run the business collectively to make and share profits. Thus, in business sense, 'partnership' and 'partners' are totally separable where partnership constitutes the business entity (artificial entity) and partners constitute the ownership (physical entity). A clear distinction is needed between partnership and partners whenever the question of assessment of a partnership firm comes because both partnership and partners are assessed for tax purposes separately. Partnership is assessed as a business entity and partners are assessed as individuals.

A partnership firm is not a legal entity like a corporation under the general law. But for the purpose of Income Tax a firm has an assessable entity. Thus, in ITA, a firm has dual distinctive consideration. At one side, the income of partnership firm is calculated as it has been calculated in case of companies. Because partnership firms do nothing but business and that is why it has income under the head 'income from business'. On the other side, a firm is taxed at a rate applicable to an individual, as the status of a firm is not similar to that of a company.

18.3

CLO
18.2

SPECIAL ASSESSMENT PROVISIONS

A firm as an assessee can go for either assessment by deputy commissioner of taxes based on return (U/s 183), best judgment assessment (U/s - 184), or taxation of firms and association of persons (U/s - 187) as the case may be, for assessing its total income. Tax payable by the firm shall be determined based on total income of the firm as assessed.

Whenever any determination is made in accordance with this section, the Deputy Commissioner of Taxes shall, by an order in writing, notify to the firm.

- ☐ The amount of tax payable by it, if any;
- ☐ The amount of the total income on which the determination has been based; and
- ☐ The apportionment of the amount of income between the several partners.

18.4

CLO
18.3
18.4

PROCEDURE OF ASSESSMENT OF FIRM AND PARTNERS

Assessment of firm means computation of tax liability of a firm in any income year on the basis of total taxable income of the firm. Thus, we have to compute the taxable total income of the firm first, on which tax will be levied at specified rate. Computation of total taxable income of a firm will require some additional considerations. We have to adjust the accounting profit to compute tax profit as conventional accounting principles and tax accounting principles differ substantially. To do this, we may go for the following procedures:

- At first, we have to start with the accounting profit as computed through partnership Profit and Loss Account.
- Then the profit so found should be adjusted in line with Sec. 45-48 (income), Sec. 49-54 (deductions) and Sec. 55 (deductions inadmissible) of ITA, 2023.
- The profit so computed will be distributed among the partners as per their respective profit and loss sharing ratio.
- The profit as calculated is taxable provided that the total income exceeds the exemption limit, i.e., Tk. 350,000.
- The rates for individuals will also be applicable for a firm as follows:

On first Tk.		On next Tk.				On remaining
350,000	100,000	400,000	500,000	500,000		income
@ 0%	@ 5%	@ 10%	@ 15%	@ 20%		@ 25%

However, every firm having gross receipts of more than Tk. 50 lac will be liable to pay minimum tax of an assessment year at the following rates (U/S 163(5)):

Tax rate on the gross receipts	
Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	3.00%
Carbonated beverage	5.00%
Mobile phone operator	2.00%
Individual other than individual engaged in mobile phone operation or in the manufacturing of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products, having gross receipts taka 3 crore or more	0.25%
Any other cases	0.60%
Industrial undertaking engaged in manufacturing of goods for the first three income years since commencement of its commercial production.	0.10%

- However, if the firm is subject to tax deducted at sources U/S 163(2), minimum tax should be the higher one between tax computed U/S 163(2) and U/S 163(5).

- Like individuals, the firm may claim tax rebate lower of 3% of total income or 15% of allowable investment (if any) or Tk 10 lakhs like individual @ 15% on allowable investments.
- Partners' taxable income will be a total of salary, interest, commission etc. from the firm and share of profit or loss as computed in step 3. The total income will be taxed at the individual tax rates. Income from firm is to be considered as tax free income because tax on this part is already paid by the firm, and partners will get rebate at average rate on their partnership income from tax so computed. They may also claim rebate for qualifying amount of investment allowance, if any, in normal way.

Note: Firms may not be required to pay tax due to income less than Taka 350,000 or carry forward and set off of previous year's losses. In such a situation, partners will pay tax in a normal way but cannot claim any rebate on profit received from firm, as firm has not paid taxes on such profit.

18.5

CLO
18.5

SET OFF AND CARRY FORWARD OF FIRM'S LOSSES

- If income from business results loss, it should be set off in the same year against income from other businesses, if any (U/s 70(2)).
- If there is any loss from any speculative business, it should be set off in the same year against income from other speculative businesses, if any (U/s 70(2)).
- Set-off and carry forward is not allowable for losses under any head or sources which receives tax exemption, tax payable at reduced rate or minimum tax benefit (U/s 70(3)).
- Any loss of a firm or association of persons should be adjusted against the income of such firm or association of persons only and such loss cannot be adjusted against the income of any partner of firm or member of the association (U/s 70(4)).
- Any loss from business can be carried forward for setting off against such income, if any, for 6 consecutive years (U/s 70(5)).
- Subject to the provisions of Eighth Schedule, if any person is replaced in business or profession other than inheritance, the successor cannot set-off or carry forward any loss of the predecessor against his personal income (U/s 70(6)).

18.6

CLO
18.7

SPOUSE OR MINOR CHILD IN A FIRM

If the spouse or minor child holds shares in a partnership firm where the assessee is also a partner, then the income of the spouse or minor child will be assessed along with the assessee. But if they are partners of different firms, they should be assessed separately. Even when husband and wife become partners in a professional firm like accounting, law or medicine, they should be assessed separately.

In such a situation where both husband and wife are assessed separately, it may be a problem if they have a minor child who is also a partner. The tax law is silent

regarding this issue and so the income of a minor child may be assessed with the income of the husband or the wife. But it would be better if the income of a minor child is assessed with the income of either husband or wife whose taxable income is less to be in line with the canons of equity and transparency. In computing the total taxable income of any partner in such situations, followings will be included:

- ☐ Income of the spouse or minor child arising directly or indirectly from:
 - Membership of the spouse in a firm where the assessee is a partner;
 - Admission of the minor child to the benefits of partnership in a firm where the assessee is a partner;
 - Assets transferred directly/indirectly by an assessee to the spouse other than as gift or for adequate consideration or in connection with an agreement to live apart; Or
 - Assets transferred directly or indirectly by an assessee to a minor child, not being a married daughter, other than by way of gift or for adequate consideration; and
- ☐ Income of any person or association of persons arising from assets transferred by an assessee to the spouse or minor child or both for the benefit of the spouse or minor child or both other than by way of gift or for adequate consideration.

18.7

CLO
18.6

PARTNERS' SHARE IN THE FIRM'S PROFIT OR LOSS

To compute partners' share in the firm's profit or loss, we need to adjust any interest, salary, commission or any other payment made to partners in any other mode. Then the balance will be distributed among the partners as per the respective profit and loss sharing ratio. So, the share of a partner in a firm will include any salary, interest, commission or other remuneration payable to him by the firm in the income year, plus his share in the balance of the profit or loss of the firm. If a person is a partner in a firm or a member of an AOP, his share of income of the said firm/AOP shall be determined by the following formula [Sec. 31(2)], namely –

$$A = B + (C - D) \times E\%, \text{ where –}$$

A: part of the person's income from the firm or AOP, B: salary, interest, commission, or other remuneration received by the said person from the said firm or AOP, C: total income of the said firm or AOP, D: the sum of salary, interest, commission, or other remuneration payable by the said firm or AOP to all partners or members, E: the percentage of shares of the person in the said firm or AOP.

If the partners have their individual income with the shared income from the firm, such shared income should be added with other individual income to compute the partners' total taxable income. If the firm has already been taxed, partners will not pay tax on such shared income (U/s-80). But this addition of shared income with other income may enhance the rate of tax for such other income or may bring the partners within the ambit of taxation where such partners' individual income was below the taxable limit.



The tax rate for a firm and an individual is same. Do you agree or not?

18.8

CLO
18.6

UNRECOVERABLE TAX DUE FROM PARTNERS

According to section 255 of the Income Tax Act 2023, where any tax payable by partner of a firm in respect of his share of the income from the firm cannot be recovered from him, the DCT shall notify such amount of the tax to the firm. Upon notification, the firm so notified shall be liable to pay the said tax and, for the purposes of recovery thereof, shall be deemed to be an assessee in respect of such tax.

18.9

CLO
18.4
18.6

ASSESSMENT OF FIRMS IN SPECIAL CASES

The assessment of a firm in special cases, like changes in constitution, succession, dissolution etc., have more issues to consider. There may be a change in the firm composition (how many members a firm have) through admission or retirement of partner(s). Likewise, a firm may be reconstituted under different circumstances.

Changes in Constitution

Assessment in case of change in the constitution of a firm (U/s 188): There is a change in the constitution of a firm under this section.

- ☐ Where all the existing partners or some of them continue with a change in their respective profit and loss sharing ratios; or
- ☐ Where one or more persons who were partners, continue to be so with a change by cessation of any partners or addition of one or more new partners.

If at the time of assessment, it is found that a change has occurred in the constitution of the firm as defined above, the assessment of the firm shall be made in normal way as if there is no change in the constitution of the firm. The words "at the time of assessment" mean in the course of the process of assessment and do not refer merely to the act of making an assessment order – *Maharajadhiraj of Darbhanga Vs. C.I.T. 1934 I.T.R. 345 (P.C.)*. Thus, where a notice calling for a return has been issued to any person, the process of assessment has begun and continues until an order of assessment is made. And if a change in the partnership composition occurs at any time before the assessment is made this section would apply. But this section would have no application to a case where the change occurs after the assessment of the firm is completed – *In re Chimanlal Lalbhai 1944 I.T.R. 199*. The taxable income of the firm will not be affected due to such changes rather the section is used to find out the partners upon whom the tax liability should be imposed – *Indian Iron & Steel Co. Ltd. Vs. C.I.T. 1943 I.T.R. 328, 337 (P.C.)*. The partners will share income as per the changes in the constitution and if the tax assessed on a partner cannot be recovered from him, it shall be recovered from the firm as constituted at the time of assessment.

Succession

The simplest case of succession is the transfer by one trader to another of the business along with the goodwill, i.e., the right to that benefit which arises from connection and reputation [Thomson & Balfour Vs. Le Page 8 T.C. 541, 548]. Succession may be by transfer inter vivos, or by inheritance or devolution on the death of the owner [Dubash's Executors Vs. C.I.T. [1951] 19 I.T.R. 182 (S.C. of India), or by acquisition where the whole property and undertaking of the trader vests in the Government [Bramford's Road Transport Ltd. Vs. Exams 35 T.C. 145]. Thus, where there is a change of ownership it is a case of succession and not discontinuance - I.T. Appellate Tribunal Vs. Bachraj Nathani 1946 I.T.R. 191, 203.

Requisites of Succession

The requisites of succession are as follows:

- ☐ There should be a change of ownership;
- ☐ The integrity of the business should remain same;
- ☐ The identity and continuity of the business should be substantially preserved.

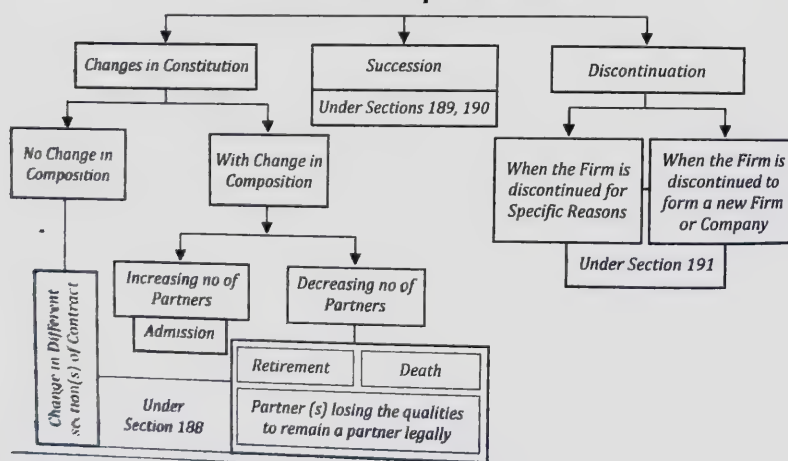
Change in ownership: For being a succession taken place, there should be a valid transfer of ownership. In a case where there is no transfer of ownership, e.g. where a receiver is appointed, there is no succession (I.R. Vs. Thompson 20 T.C. 422). If there is only an agreement to transfer, it would not be regarded as involving a succession.



If a firm pays Tk. 10,000 to a partner as rent for using his house property, which one will be true? - (a) Rent will not be an allowable expense (b) Rent will be an allowable expense with no other effect (c) Rent will be an allowable expense for the firm but for the partner, it will be an income from house property.

Integrity of business: Succession necessarily implies devolution of the business as a whole. There can be no succession unless the business retains its integrity despite the change of ownership. Where a business is split up and another person carried on part of the business, he doesn't succeed his predecessor in carrying on the business. If there is substantial identity and similarity in the nature and extent of the activities carried on between the two firms, and if the major portion of the liabilities and assets have been taken over by the new firm from the old partnership, there is a succession (Kaniram Ganpatrai Vs. C.I.T. [1953] 23 I.T.R. 314, 322).

Identity and continuity of the business: Succession occurs only where the same business is carried on by a different person. There is no succession where a business terminates and a different though similar business is carried on by another person or by a newly constituted firm (Industrial Development & Investments Co. Ltd. Vs. C.E.P.T. [1957] 31 I.T.R. 688). Where there is no continuity in carrying on the business and when one business has come to an end and after a time another business is started, it may be with the same assets & under the same conditions & in the same premises as the old business, the persons carrying on the new business do not succeed those who had carried on the old business.

EXHIBIT**18.1****Assessment in Special Cases****EXHIBIT****18.2****Cases Reference**

Ghella Dayal Vs. C.I.T. 1945 I.T.R. 133, 138.

A firm of 3 partners carrying on business in piece of goods was started in 1932. On Oct 30, 1939, one of the partners died. On Nov 12, 1939, a new firm was formed by the two surviving partners with three more new partners and the shares of the five partners were reshuffled. The new firm carried on the same business in the same premise under the old trade name with separate set of account books and the management of the business before and after the change remains identical. There were several outstanding contracts of the old firm. The assets and liabilities of the old firm were taken over by the new firm after some months. During the relevant accounting year, the net profit of the old firm was Rs. 56,000 and that of the new firm was Rs. 10,500. In assessing the new firm, the I.T.O. held that both the profits were the profits of new firm in as much as the business of the old firm was continued by the new firm and there was no more than the change in the constitution of the firm. The Appellate Tribunal agreed with the decision of the I.T.O. and the new firm was rightly assessed to income tax and the partners were liable in respect of the share to which they were individually entitled. If the tax assessed upon any partner cannot be recovered from him, it must be recovered from the firm as constituted at the time of making the assessment.

For a succession in operation, which of the following conditions should be fulfilled? -
(a) Transfer of ownership (b) Similar line of business (c) Both.

Constitution of New Successor Firm (Section 189)

Sometimes one firm (predecessor) terminates and another new firm (successor) forms, where also a change in constitution is required. Where, at the time of assessment of a firm, it is found that a new firm has been constituted to succeed the firm to which the assessment relates the predecessor firm and the successor firm should be assessed separately in accordance with the provisions of section 88 that relates to assessment in case of succession.

Succession to Business Otherwise than on Death (Section 190)

In a specific income year, if a person has been succeeded therein otherwise than on death by another person and if he continues to carry on that business or profession, then the total income year will be apportioned between the predecessor and successor as follows:

- ☐ The predecessor shall be assessed, in respect of the income of that income year in which the succession took place, for the period up to the date of succession, and
- ☐ The successor shall be assessed, in respect of the income of the income year, for the period after the date of succession.

If the predecessor is not found, the assessment up to the date of succession and of the income year or years preceding that year shall be made on the successor in the like manner and to the same extent as it would have been made on the predecessor. Even if the predecessor is found but the sum cannot be recovered from him, the DCT shall record a finding to that effect, and thereafter the sum payable by the predecessor shall be payable by, and recoverable from, the successor who shall be entitled to recover it from the predecessor.

However, the successor cannot claim to carry forward and set off the losses incurred by his predecessor. Nor can the predecessor carry forward, because such carry forward right is conditional upon the continuance of business in which the loss was incurred. *Indian Iron Steel Co. Ltd. Vs. I.T.R. 328, 337.*

Discontinuation

The words 'discontinued' and 'discontinuance' do not cover mere change of ownership or a change in the constitution of the firm, but refer to a complete cessation of business (*Meyyappa Chettiar Vs. C.I.T. 1943 I.T.R. 243*). Even if a company passes a resolution that it will undertake no further business, the Department may hold that the resolution is colourable & the company has not discontinued its business (*Gladstone Development Co. Ltd. Vs. Strick 30 T.C. 131*).

Assessment in case of discontinuation of a Firm (Section 191)

Where any firm is discontinued in any financial year, assessment may be made in that year on the basis of the total income of the period between the end of the income year and the date of such discontinuance in addition to the regular assessment, if any, made on the basis of the income year [U/s 191(1.2)]. The DCT should be notified regarding such discontinuance within fifteen days thereof; and such notice shall be accompanied by a return of total income in respect of the period between the end of the income year and the date of such discontinuance and that financial year will be the assessment year in respect of the income of the said period [U/s 191(3)].

Where a person fails to give the notice of such discontinuance the DCT may direct that a sum shall be recovered from him by way of penalty not exceeding the amount of tax subsequently assessed on him in respect of any income from the business or profession up to the date of its discontinuance [U/s 191(4)]. The DCT may serve a notice for maximum 7 days to the partner(s) (who were the partner at the time of discontinuation) to furnish a return of total income along with such other particulars, records and documents as may be specified in the notice [U/s - 191(5)]. The notice as served here for assessment of a discontinued firm under section 191(5) will be treated as a notice served under section 172 - Notice for filing return [U/s - 191(6)].

EXHIBIT

18.3

Specimen Form of Computing Taxable Income

Computation of Firms Income

Assessee	:		
Assessment Year	:	2024 - 2025	
Income Year	:	2023 - 2024	
<hr/>			
Net Income/Loss as per Profit and Loss Account			Tk. XX
Add: Distribution to the owners in terms of interest, salary, commission etc.			XX
Add: Other non-admissible expenses already debited into the P/L Acc, e.g., drawings, interest on drawings, capitalized expenditure etc.			XX
Add: Other non-admissible expenses as per section 30 and expenses that has maximum slabs, e.g., entertainment expense, perquisites, free sample etc.			XX
Add: Expenses charged at a different rate (depreciation expense)			XX
Less: Admissible expenses as per the rates mentioned in ITO			(XX)
Less: Income from other sources already credited in P/L Acc			(XX)
Add: Income from business or profession but not credited in P/L acc			XX
Less: Expenses that has maximum slabs as per different Rules			(XX)
Less: 50% income of export business			(XX)
Less: loss carried forward from previous year			(XX)
Taxable Income of the Firm from Business or Profession			XX

Add: Non-Business income of the Firm, say	XX
a) Interest on Securities	XX
b) Income from House Property	XX
c) Capital gains	XX
d) Income from Other Sources	XX
Total Taxable income of the Firm	Tk. XX

Allocation of Firms Income [assuming 2 partners, A & B]

	A	B	Total Taka
Income of Partners received from the firm:			
▪ Salary	XX	XX	XX
▪ Interest on Capital	XX	XX	XX
▪ Interest on Loan	XX	XX	XX
▪ Commission	XX	XX	XX
▪ Other receipts as per the constitution	XX	XX	XX
▪ Interest on Drawings (expense for the partner)	(XX)	(XX)	(XX)
▪ Share of Profit or	XX	XX	XX
▪ Share of Loss	(XX)	(XX)	(XX)
Total Income of Partners from the firm	XX	XX	XX

Computation of Taxable Income of Partners [assuming 2 partners, A & B]

	A	B
Income from the firm	XX	XX
Income from other different heads (U/s - 20)	XX	XX
Total Taxable Income of Partners	XX	XX

SOLVED PRACTICAL CASES (SPC)



TAXABLE INCOME OF FIRMS AND PARTNERS

Mr. X, Mr. Y and Mr. Z are the three equal partners of XYZ & Associates. The firm is engaged with manufacturing of toys. The profit and loss account for the year ended on June 30, 2024, was given below (gross receipts for the year was Tk. 10,00,000):

XYZ & Associates			
Profit and Loss Account, For the year ended on June 30, 2024			
	Tk.		Tk.
Rent	36,000	Gross Profit	600,000
Utilities	22,000		
Commissions	54,000		
Advertisements	12,000		
Interest on Capital:			
X – 8,000; Y – 7,000; Z – 5,000	20,000		
Salaries: X – 26,000; Y – 24,000	50,000		
Net Profit	406,000		
	<u>600,000</u>		<u>600,000</u>

Other Information. Rent includes Tk. 12,000 paid to Mr. X who partially owns the business premises; Tk. 15,000 of commission is given to Mr. Z for his special assignment; and partners have income from different sources as follows:

	Mr. X	Mr. Y	Mr. Z
Income from Rent	60,000	-	40,000
Income from Financial Assets	50,000	80,000	-
Agricultural Income	-	-	50,000
Income from other sources	25,000	25,000	25,000

Required:

- ☐ Compute the taxable income of the firm.
- ☐ Compute the amount of tax liability of the firm.
- ☐ Show the amount of distribution to the partners,
- ☐ Compute the amount of taxable income of the partners and
- ☐ Compute the amount of net tax liability of the partners.

Assessee: XYZ Associates	Assessment Year: 2024		2025	Income Year: 2023 – 2024	
Taxable income of the firm	X		Y	Z	Total
Net Profit as per Profit and Loss A/C					Tk. 406,000
Add: Distribution to the owners					
Interest on Capital	Tk. 8,000	Tk. 7,000	Tk. 5,000		20,000
Salaries	26,000	24,000	-		50,000
Commission	-	-	15,000		15,000
Total Taxable Income of the Firm					491,000

Tax liability of the firm

	On first Tk. 350,000	On next Tk. 100,000	On next Tk. 41,000	Total Tk. 491,000
Rate	@ 0%	@ 5%	@ 10%	-
Tax	-	5,000	4,100	9,100

As the gross receipt of the firm is below Tk. 50,00,000; minimum tax provision will not be applicable here. Thus, the tax liability of the firm will be Tk. 9,100.

Distribution to the Partners

	Partners			Total	Amount left for Distribution
	Mr. X	Mr. Y	Mr. Z		
Amounts to be distributed					491,000
Interest on Capital	8,000	7,000	5,000	20,000	471,000
Salaries	26,000	24,000	-	50,000	421,000
Commission	-	-	15,000	15,000	406,000
Profit (1:1:1 ratio)	135,333	135,333	135,334	406,000	
Total amount allocated	<u>169,333</u>	<u>166,333</u>	<u>155,334</u>	<u>491,000</u>	

Taxable income of the Partners

	Mr. X	Mr. Y	Mr. Z
1. Income from Financial Assets	50,000	80,000	-
2. Income from Rent (less cost of repairs and maintenance @ 25%)	45,000	-	30,000
3. Agricultural Income (less cost of cultivation @ 60%)	-	-	20,000
4. Income from Firm	169,333	166,333	155,334
5. Income from Other Sources	25,000	25,000	25,000
Total Taxable Income	289,333	271,333	230,334

Net tax liability of the partners

Partners are not required to pay any tax as their income does not exceed tax exemption limit.

Partners	Salary	Interest	Profit/ (Loss)	Total
B	-	-	(50,000)	(50,000)
C	-	-	(50,000)	(50,000)
D	60,000	20,000	(50,000)	30,000

B has also income from a house property at London amounting to Tk. 600,000 (after deduction of 25% tax at source). C has other personal income of Tk. 50,000.

Required: (a) Compute tax to be paid by the firm in which A, B and C are partners and total taxable income in the hands of those partners from all sources. (b) State the principles governing the basis of taxability of total income of A, B & C.

[ICAB Adapted]

SPC
18.2

INCOME FROM DIFFERENT SOURCES, MINIMUM TAX

A, B & C are partners sharing profits and losses in a ratio of 2:2:1. The particulars of income for the year ended 30th June 2024 are as under:

- **House Properties:** The firm owns a building consisting of three floors of identical specification, two of which are used for the firm's business and one is let out at a rent of Tk. 10,000 per month. The firm has earned Tk. 30,000 by putting up a display of an advertisement hoarding of a multinational company on the roof of the building during the year.

- **Business in Cotton Textiles:** The trading accounting for the year was as under:

Debit			Credit
Opening Stock	Tk. 500,000	Sales	Tk. 5,400,000
Purchases	4,500,000	Closing Stock	600,000
Gross Profit	1,000,000		
	<u>6,000,000</u>		<u>6,000,000</u>

The closing stock has been uniformly valued at 12.50% under cost. Depreciation and other expenses debited to profit and loss account amount to Tk. 400,000 which included among other things, following items: (1) Repairs to Building: Let-out portion Tk. 8,000 and Portion used for business Tk. 12,000. (2) Municipal Taxes Tk. 23,000 (Total municipal taxes for the year were Tk. 27,000 of which the tenant paid Tk. 4,000.) (3) Annual contribution to Cotton Dealers Association, a trade association Tk. 2,000. (4) Contribution to Prime Minister's Relief Fund Tk. 5,000. (5) Salaries to the partners: A - Tk. 24,000; B - Tk. 48,000 and C - Tk. 72,000. (6) Interest paid on a loan of Tk. 500,000 taken for installing computer accounting system in the firm's premises (The computer and peripherals were duly installed during the period) Tk. 75,000. (7) It was claimed that Tk. 10,000 credited in the profit and loss account should be deducted as representing receipt of capital nature. It was stated that the amount has been received from a textile mill as damages for failure to deliver goods as per contract. (8) Loss on speculative transactions Tk. 150,000. A had no other sources of income but B and C were also partners in another firm with D as the third partner. The shares of B, C & D for the year ended 30th June 2024 were as under:

Solution

Requirement - (a): Computation of total taxable income of the firm:

	Taka	Taka	Taka
(1) Income from rent (U/s - 36):			
Annual Value: Actual rent (12 months @ Tk. 10,000)	120,000		
ADD: municipal tax paid by the tenants	<u>4,000</u>		
	124,000		
And: Corporation valuation	<u>nil</u>		
Whichever is higher		124,000	
Less: repairs and maintenance (25% of annual value, assuming that proper books have not been maintained)			
Less: municipal tax for let-out portion (1/3 ÷ 27,000)	31,000		
	<u>9,000</u>	<u>40,000</u>	
			84,000
(2) Income from Business (U/s - 45):			
Gross Profit as per Trading Account		1,000,000	
ADD: Understatement of Closing Stock		<u>14,285</u>	
(Tk.. 100,000 ÷ 0.875 × 0.125)		1,014,285	
Less: Depreciation and other expenses		<u>400,000</u>	
		614,285	
Add: Expenses inadmissible			
Repairs - let out portion		8,000	
Municipal taxes (23,000 - 2/3 of 27,000)		<u>5,000</u>	
Salaries to partners		144,000	
Loss on speculative transactions	<u>150,000</u>	<u>307,000</u>	
			921,285
(3) Income from other sources (U/s - 66):			
From display of advertisement			<u>30,000</u>
Total Taxable income of the Firm			<u>1,035,285</u>

Computation of Rebate on Investment Allowance

Lower of 3% of total taxable income (Tk. 10,35,285) or 15% of actual allowable investment (contribution to Prime Minister's Relief Fund by Tk. 5,000) or Tk. 10,00,000.

Computation of Tax Liability of the Firm

	Tk.	Tax Rate	Tk.
On First	350,000	0%	Nil
On Next	100,000	5%	5,000
On Next	400,000	10%	40,000
On next	185,285	15%	27,793
On Total	Tk. 1,035,285		72,793
Less: Rebate on investment allowance (15% of Tk. 5,000)			750
Net tax liability			<u>72,043</u>

Minimum Tax

It is not possible to compute the minimum tax for the firm as gross receipt of the firm is unknown.

Allocation of Profit to Partners

	A	B	C	Total	Amount left
Amounts to be distributed					1,035,285
Salaries	24,000	48,000	72,000	144,000	891,285
Profit (2:2:1 ratio)	356,514	356,514	178,257	891,285	
Total amount allocated	<u>380,514</u>	<u>404,514</u>	<u>250,257</u>	<u>1,035,285</u>	

Total Taxable Income in the hands of the Partners

	A	B	C
Income from Firm (A, B & C)	380,514	404,514	250,257
Income from Firm (B, C & D) – set off	-	(50,000)	(50,000)
Income from Other Sources	-	-	50,000
Total Taxable Income	<u>380,514</u>	<u>354,514</u>	<u>250,257</u>

Tax Liability of Partners

Partner A: As A has no other income except income from the firm, A's tax liability will be the minimum tax of Tk. 5,000. Because A will get rebate on his share of income from firm on which tax has been given by the firm.

Partner B: B's income has been reduced by setting of loss from another firm where he is also a partner. But he cannot claim any refund here. Refund cannot be claimed on tax given by the firm.

Partner C: C will get rebate of his total tax as the firm has already given tax on the same amount. But C will have to pay tax limited to the minimum amount like another partner A.

Requirement (b)

If a partner receives income as his share of profit from a partnership firm over which firm has already given taxes, partners will receive rebate on average rate. As A has no other income, he will receive rebate to the fullest amount of tax liability that results tax liability equals to zero. But, as assessment is

made in his name, he has to pay the minimum amount of tax. The case of C is same whose taxable income is also equal to share of profit from firm. But B's situation is different in the sense that his share of profit has been reduced due to set off of share of losses from another firm where B is also a partner. B cannot claim any refund for the amount of tax given by firm. The governing principle is that an amount of same income should not be taxed twice, once in the hand of the firm and again in the hand of the partners.

So, firm will pay tax on usual rate and partners will get rebate on average rate.

Notes: (1) Loss on speculative transactions can be set off against gain from such other speculative transactions, if any, or can be carried forward to set off against gain from such speculative business for six consecutive years. But it cannot be charged against profit as expense. (2) Accounting depreciation and tax depreciation is assumed to be same as no such information is given. (3) As closing stock is always understated, the impact is shown on the differential figure of opening and closing stock, i. e., on Tk. 100,000. (4) B's income from house property arising in London has been excluded as an application of Article 6 (immovable property and income there from immovable property) of the Double Taxation Avoidance Agreement between Bangladesh and U.K.

**TAXABLE INCOME, SPECULATION BUSINESS LOSS, ZERO TAX LIABILITY**

Meem Enterprise is a firm comprising of two equal partners named Meem and Noon. During the year ended on June 30, 2024, the partners besides their shares in the firm enjoyed income and substantial losses from the sources given below:

Meem: Profit on trading in immovable property Tk. 50,000; Income accrued in Pakistan from partnership but not remitted to Bangladesh Tk. 75,000; Share of loss from an Association of Persons (AOP) Tk. 15,000 and Gift tax paid Tk. 25,000.

Noon: Speculation loss Tk. 40,000; Profit on sale of car Tk. 50,000; Income from betting Tk. 5,000 and Income tax refund Tk. 10,000. The profit and loss account of the firm for the year ended June 30, 2024, showed the following position:

Expenditure	Taka	Income	Taka
Salaries: Staff	48,000	Gross profit b/d	205,000
Meem	15,000	Share premium	10,000
Noon	12,000		
Office Contingencies	4,000		
Repairs	23,000		
Doubtful Debts	4,000		
Income tax paid for the last year	5,000		
Legal expenses	5,000		
Commission to Meem	3,000		
Premium on the policies of partners	5,000		
Depreciation	11,000		
Net Profit: Meem 40,000 Noon 40,000	80,000		
	<u>215,000</u>		<u>215,000</u>

Included in repairs are Tk. 10,000 on account of cost of typewriter to be depreciated at 10% p.a. as per taxation law. legal expenses are inclusive of Tk. 2,000 being the fine imposed by Custom Authorities for banned items; office contingencies include Tk. 2,000 spent as commission for investment in shares and depreciation admissible excluding on Typewriter is Tk. 8,000. Calculate taxable income and taxes payable by firm & complete the income taxable in the hands of partners.

(ICAB adapted)

Assessee: Meem Enterprise	Assessment Year: 2024 - 2025		Income Year: 2023 - 2024	
			Taka	Taka
Net profit as per accounts				80,000
Add: Depreciation (considered separately)				11,000
				91,000
Add: Inadmissible expenses				
Salaries to partners (Meem - Noon)		27,000		
Doubtful debt		4,000		
Income tax paid for the last year		5,000		
Commission to Meem		3,000		
Premium on the policies of partners		5,000		
Repairs - cost of typewriter		10,000		58,000
Legal expenses - fine imposed by custom		2,000		149,000
Office contingencies - commission for investment in shares		2,000		
Less: Tax Depreciation (Tk. 8,000 + 10% on Tk. 10,000 cost of typewriter)			9,000	
				140,000
Less: Share Premium			10,000	
Taxable income of the firm				130,000

Allocation of Profit to Partners

Particulars	Partners		Total	Amount left to be Distributed
	Meem	Noon		
Amounts to be distributed				130,000
Commission	3,000	-	3,000	127,000
Salaries	15,000	12,000	27,000	100,000
Insurance Premium	2,500	2,500	5,000	95,000
Profit (allocated on 1:1 ratio)	47,500	47,500	95,000	
Total amount allocated	68,000	62,000	130,000	

Income Slabs	Tax Rate	Tk.
On First Tk. 130,000 (Up to 350,000)	0%	Nil
On total Tk. 130,000		Nil

Minimum Tax: for the firm cannot be calculated as gross receipt of the firm is unknown.

Taxable income of Partners

	Meem	Noon
Share of income from Firm	Tk. 68,000	Tk. 62,000
Foreign income - income accrued in Pakistan	75,000	
Income from other sources - profit in trading of immovable property	50,000	
Total taxable income	193,000	
Less: set off losses from Association of Persons (AOP)	(15,000)	
Taxable Income	178,000	62,000

As the partners income doesn't exceed non-assessable income limit, partners will not pay any tax. For the same reason income tax refund of Tk. 10,000 will remain unadjusted.

Notes: (1) Speculative loss can only be set off against gain from other speculative business. Noon has speculation loss of Tk. 40,000 and income from betting of Tk. 5,000. After setting off Tk. 5,000 Noon still has Tk. 35,000 as loss from speculation business that will be carried forward for 6 successive years to be set off against gain from speculative business, if any. (2) Profit on sale of car is a personal income that is not taxable. It has been assumed that the car was used for personal purposes.



TAXABLE INCOME OF FIRM AND PARTNER

A, B and C are partners in a firm, XYZ, sharing profit & loss in the ratio of 2:2:1. The firm showed income of Tk. 200,000 as at 30-06-2024. Examination of the books of accounts of the firm revealed the following facts: (a) A, B, C were paid salary at Tk. 36,000, Tk. 45,000 and Tk. 48,000 respectively (b) A and C were paid interest at Tk. 40,000 and Tk. 50,000 respectively for the money borrowed from them (c) Commission on sale of goods paid to partner B Tk. 30,000 (d) Factory rent Tk. 1,50,000 paid to partner A (e) Office rent Tk. 60,000 paid to partner B (f) Penalty Tk. 55,000 paid for violation of customs law (g) Donation made to Aga Khan Foundation Tk. 50,000 (h) Advance tax paid Tk. 35,000 (i) Partners drawings were: A - Tk. 50,000; B - Tk. 45,000; C - Tk. 40,000.

Required: Compute total income of the firm and total income of each partner

(CMA Adapted)

Assessee: XYZ	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Net profit as per accounts		Tk. 200,000
Add: Inadmissible expenses		
Salaries to Partners A: 36,000; B: 45,000; C: 48,000		Tk. 129,000
Interest on loan to Partners A: 40,000; C: 50,000		90,000
Commission to B		30,000
Penalty for violating Custom Law		55,000
Advance Tax Paid		35,000
Drawings of Partners A: 50,000; B: 45,000; C: 40,000		135,000
Taxable income of the firm		674,000

Total Income of Each Partner

Particulars	Partners		Total	Amount left to Distribute
	A	B		
Amounts to be distributed				674,000
Salaries	36,000	45,000	81,000	545,000
Interest	40,000	-	50,000	455,000
Commission	-	30,000	30,000	425,000
Profit (on 2:2 ratio)	170,000	70,000	85,000	425,000
Total amount allocated	246,000	245,000	185,000	674,000

SPC
18.5

TAXABLE INCOME AND SIMPLE INTEREST

M s Skylark and Co. is a partnership firm. Mr. Tom, Mr. Toy and Mr. Dick are three equal shared partners of the firm. The firm filed return of income showing net profit at Tk. 1,550,000 for the assessment year 2024-2025. Examination of the books of accounts revealed the following facts: (a) Salary includes payment of Tk. 250,000 to Mr. Dick, Tk. 100,000 to Mr. Tom and Tk. 80,000 to Mr. Toy (b) Rent includes payments for office rent to Mr. Toy Tk. 120,000 and godown rent to Mr. Tom Tk. 60,000 (c) Misc. expenses includes payments for Brokerage Tk. 30,000 to Dick; Tk. 36,000 paid to Mr. Kalu who is working as night guard at the residence of Mr. Toy; Tk. 24,000 paid as salary to Miss Keya who is working as maid servant at the residence of Dick; Tk. 90,000 paid to Tom for using his mechanized boat in the shipment of goods and Tk. 65,000 paid as interest for the amount of money borrowed from Toy. (d) The factory building of M s skylark was constructed by M's Bay and Co. the firm paid Tk. 1,700,000 to M's bay & co without deduction of any taxes. (e) During the year under consideration the firm imported spices and fruits. Tk. 120,000 was deducted as AIT by the custom authority at the import stage. No income from the import business was shown in the statements of accounts filed with the return. This is the 1st year of assessment. The firm paid no advance taxes as per provisions of sec-156. From the above information compute the total income of the firm, total income of the partners, tax payable by the firm and simple interest if any payable.

Assessee: M s Skylark and Co.	Assessment Year: 2024 - 2025		Income Year: 2023 - 2024	
	Dick	Tom	Toy	Total
Net profit as per accounts				Tk. 1,550,000
Add: Inadmissible expenses				
Salaries to Partners	Tk. 250,000	Tk. 100,000	Tk. 80,000	430,000
Interest on loan to Toy	-	-	65,000	65,000
Brokerage to Dick	30,000	-	-	30,000
Advance Tax Paid	-	-	-	120,000
Drawings of Partners	24,000	-	36,000	60,000
Total income of the firm				2,255,000

Total Income of Each Partner

Amounts to be distributed	Partners		Total	Amount left
	Dick	Tom		
Salaries	250,000	100,000	80,000	430,000
Interest	-	-	65,000	1,825,000
Brokerage	30,000	-	-	65,000
Profit (on 1:1:1 ratio)	576,666	576,667	576,667	1,730,000
Total amount allocated	856,666	676,667	721,667	2,255,000

Tax Payable by the Firm

Income Slabs	Tax Rate	Tk.
On First Tk. 350,000	0%	Nil
On Next Tk. 100,000	5%	5,000
On Next Tk. 400,000	10%	40,000
On Next Tk. 500,000	15%	75,000
On Next Tk. 500,000	20%	100,000
On Next Tk. 405,000	25%	101,250
On Total Tk. 2,255,000		321,250

Note: Simple Interest: As per section 162, the firm has to pay interest on Tk. 3,21,250 @ of 10% for a period starting from 1.7.24 to the date of regular assessment provided that it is not more than two years.

SPC
18.6

TAXABLE INCOME, TAX LIABILITY, NON-BUSINESS INCOME, MINIMUM TAX

Rahim & Karim are two equal partners of 'R&K International' that reports income of Tk. 10 lac for the assessment year 2024-25. The income statement appears below:

Debit	Tk.	Credit	Tk.
Salaries	350,000	Balance b/d	1,185,000
Commission	80,000	Interest on securities (net)	60,000
Interest	30,000	Income from house property	300,000
Traveling Expense	25,000	Income from sale of tea	280,000
Legal Expense	50,000		
Office Expenses	60,000		
Promotional Expenses	30,000		
Bad Debt	30,000		
Miscellaneous Expenses	80,000		
Depreciation Expense	90,000		
Net Profit	1,000,000		
	1,825,000		1,825,000

A scrutiny of the accounts as submitted, the DCT revealed: (a) A sum of Tk. 15,000 was shown as traveling expense of Rahim for opening a new branch at Chittagong. (b) Mr. Jaman, the general manager of the firm received TK. 16,000 of monthly salary.

without bank transfer or check, rather paid in cash. (c) Bad debt recovered of Tk. 60,000 was not shown in the credit side of the P/L A/C. The full amount of recovered bad debt was written off as unrecoverable and allowed. (d) Tk. 10,000 was paid for registering trademark and Tk. 50,000 was paid for purchasing goodwill both of which are charged against current year's profit. (e) Accounting depreciation charged was Tk. 30,000 more than the tax depreciation. (f) The written down value of a motorcar was Tk. 60,000 that was sold for Tk. 50,000 and was not recorded in the books. (g) Legal expenses include Tk. 32,000 for penalty imposed by Custom Authority and miscellaneous expense includes Tk. 18,000 as a cost of forming contract among partners. (h) Rent of Tk. 50,000 given to Karim for using his house property as a place of business is included in office expenses. (i) Promotional expense includes Tk. 22,000 for constructing a permanent billboard for advertising the services provided by the firm. (j) Bad debt includes Tk. 20,000 given to the employees as advance that becomes irrecoverable. (k) Tk. 10,000 of interest on securities is from tax-free government securities. (l) The firm owns a tea garden where tealeaves are extracted and processed to make the tea leaves marketable. (m) Payment to partners as follows: Monthly Salary (paid without deducting taxes at source) to Rahim Tk. 10,000; commission to Karim Tk. 60,000; interest on capital @ 10% Tk. 12,000 to Rahim and Tk. 10,000 to Karim; interest on loan @ 8% to Rahim Tk. 8,000. (n) Other income of the owners: Rahim - House Property Tk. 80,000; Import Business Tk. 60,000; Capital Loss Tk. 150,000; Agricultural Income Tk. 70,000 and Karim - Interest on less tax com. Securities Tk. 60,000; Loss from speculative business Tk. 80,000; Loss carried forward from previous year on speculative business Tk. 60,000 (o) Assume that the gross receipts of the firm were Tk. 19,000,000 during the year. Compute the taxable income of the firm and partners along with the tax liability of both the firm and partners.

Assessee: R & K International Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Net Profit as per accounts Tk. 1,000,000

Add: Inadmissible Expenses:	
Traveling Expenses	Tk. 15,000
Salary of GM (Tk. 16,000 * 12)	192,000
Trademark	10,000
Goodwill	50,000
Charge of Excess Depreciation	30,000
Legal Expense (penalty)	32,000
Miscellaneous Expense (contract)	18,000
Promotional Expense (billboard)	22,000
Bad Debt (advance paid to employee)	20,000
Salary to Rahim	120,000
Commission to Karim	60,000
Interest on Capital: Rahim Tk. 12,000; Karim Tk. 10,000	22,000
Interest on Loan to Rahim	8,000
	<u>599,000</u>

Add: Income not recorded: Bad Debt Recovered	1,599,000
Less: Admissible Expenses:	<u>60,000</u>
Obsolescence Losses (Tk. 60,000 Tk. 50,000)	1,659,000
	<u>10,000</u>
	1,649,000

Less: Non-Business Income: Interest on Securities	60,000
Income from rent	300,000
Income from Sale of Tea	<u>168,000</u>
	<u>528,000</u>
	1,121,000

Business Income

Add: Non - Business Income:

Interest on tax-free govt. securities (fully exempted)	Tk. -	
Interest on Commercial securities (50,000 × 5/4)	<u>52,632</u>	52,632
Income from rent	300,000	
Less: Repair and Maintenance (25%)	<u>75,000</u>	225,000
Income from Sale of Tea (Agricultural Income)	168,000	
Less: Cost of Production (60%)	<u>100,800</u>	<u>67,200</u>
Total Taxable Income of the Firm		<u>1,465,832</u>

Allocation of Firm's income to the Partners

	Rahim	Karim	Total	Amount to be distributed
Amounts to be distributed				1,465,832
Salaries	120,000	-	120,000	1,345,832
Commission		60,000	60,000	1,285,832
Interest on Capital	12,000	10,000	22,000	1,263,832
Interest on Loan	8,000	-	8,000	1,255,832
Profit (allocated on 1:1 ratio)	627,916	627,916	1,255,832	-
Total amount allocated	<u>767,916</u>	<u>697,916</u>	<u>1,465,832</u>	

Taxable Income in the Hands of Partners

	Rahim	Karim
Share of income from the Firm	767,916	697,916
Income from rent (less: 25% for repair & maintenance)	60,000	37,500
Import Business	60,000	-
Agricultural Income (excluding 60% for cost of production)	28,000	
Interest on securities (grossed up)		<u>75,000</u>
Total Taxable Income	<u>915,196</u>	<u>810,416</u>

Tax Liability of the Firm: On First Tk. 350,000 @ 0% Tk. Nil; On Next Tk. 100,000 @ 5% Tk. 5,000; On Next Tk. 400,000 @ 10% Tk. 40,000; On Next Tk. 500,000 @ 15% Tk. 75,000; and On Next Tk. 115,832 @ 20% Tk. 23,166. Therefore, tax liability is Tk. 143,166 on total income of Tk. 1,465,832.

Minimum Tax: As the amount of gross receipt is given as Tk. 1.90 crore which exceeds Tk. 50 lac; we need to compute minimum tax of the firm which is 0.60% of Tk. 1.90 crore = Tk. 114,000. However, the tax liability of the firm will be Tk. 143,166 as this amount exceeds the minimum tax amount.

Tax Liability of the Partners

	Rahim	Karim	Rate	Rahim	Karim
	Tk.	Tk.		Tk.	Tk.
On First Tk.	150,000	150,000	a 0%	Nil	Nil
On Next Tk.	100,000	100,000	a 5%	5,000	5,000
On Next Tk.	400,000	360,416	a 10%	40,000	36,042
On Next Tk.	65,196	-	a 15%	9,779	-
On Total Tk.	915,196	810,416		54,779	41,042

Less: Tax rebate at average rate

Rahim (54,779 - 915,196) × 767.916

Karim (41,042 - 810,416) × 697.916

Net Tax Liability of the Partners

45,964	35,345
8,815	5,697

Notes

- ☐ Capital nature expenditures like, traveling expenses for opening a new branch and billboard is inadmissible
- ☐ As monthly salary of GM is more than Tk. 15,000 and paid without check or bank transfer, this will not be an allowable expenditure
- ☐ Bad debt recovered is the income in current period as the amount was written off as bad debt in earlier period(s) which was allowed
- ☐ Payment for both trademark and goodwill are of capital nature, so inadmissible
- ☐ Obsolescence losses resulting from sale of motorcar would be an admissible expense
- ☐ Legal expense of Tk. 32,000 incurred due to the penalty imposed by custom authority, so not an allowable expense
- ☐ Miscellaneous expense to the amount of Tk. 18,000 incurred due to forming partnership contract is capital in nature and not allowed
- ☐ Rent paid to Karim is an allowable expense and for Karim it will be considered as income from house property
- ☐ Bad debt amounting to Tk. 20,000 is not allowed, as this is the amount of advances paid to an employee that becomes irrecoverable
- ☐ 60% of the income from sale of tea will be shown as agricultural income and 40% as business income
- ☐ Tk. 10,000 of interest on tax free securities is fully exempted. Remaining Tk. 50,000 is grossed up assuming that TDS has been deducted @ 5%
- ☐ Capital loss cannot be set off against profit from other sources rather should be carried forward for 6 successive years for set off against such income
- ☐ Last year's loss from speculative business cannot be set off in the current year as there is no income from such head. rather such loss can be carried forward for 5 more successive years to be set off. And current year's loss from speculative business can be carried forward for 6 successive years for set off

KEY POINTS

- ☐ Partnership is the relationship among partners who run the business collectively to make and share profits.
- ☐ A clear distinction is needed between partnership and partners whenever the question of assessment of a partnership firm comes. Because both partnership and partners are assessed separately for tax purposes.
- ☐ A firm as an assessee can go for
 - assessment by DCT based on return (U/s - 183),
 - best judgment assessment (U/s - 184).
- ☐ Income from firm is tax free income because tax on this part is already paid by the firm, and partners will get rebate at average rate on such income from it.
- ☐ In case of changes in constitution of a firm, the proportionate loss of a retired or deceased partner cannot be carried forward by the firm.
- ☐ To compute partners' share in the firm's profit or loss, we need to adjust any interest, salary, commission or any other payment made to partners.
- ☐ There may be a change in the composition (how many members a firm have) of a firm through admission or retirement of partner(s).
- ☐ If a change has occurred in the constitution of the firm, the assessment of the firm shall be made in normal way as if there is no change in the constitution of the firm.
- ☐ The words 'discontinued' and 'discontinuance' do not cover mere change of ownership or a change in the constitution of the firm, but refer to a complete cessation of business.
- ☐ The Deputy Commissioner of Taxes should be notified regarding such discontinuance within fifteen days thereof; and such notice shall be accompanied by a return of total income in respect of the period between the end of the income year and the date of such discontinuance and that financial year will be the assessment year in respect of the income of the said period.

MULTIPLE CHOICE QUESTIONS

1. The applicable rate of rebate on investment allowance for a firm is -
(a) No Rebate (b) 15% (c) 20% (d) 25%
2. Partner's taxable income doesn't include -
(a) Salary (b) Interest (c) Commission (d) Advertisement
3. The partner will get rebate on the amount of total tax payable if his total taxable income includes a portion from the share of profit of the firm, on which the firm has already paid tax, at a rate -
(a) 0% (b) 15% (c) Average rate (d) 25%
4. To ensure equity and transparency, the share of income of a minor child, where husband, wife and minor child are partners, should be assessed with income of the -
(a) husband (b) wife (c) both (d) lower of (a) & (b)
5. Which one of the following is not the requisite of succession? -

- (a) The composition of the business should be intact
(b) There should be a change of ownership
(c) The integrity of the business should remain same
(d) The identity and continuity of the business should be substantially preserved.
- 6 In case of succession otherwise than on death, the successor will be assessed upto which date?
(a) Will not be assessed (b) Upto the date of succession
(c) For the full year (d) Succession to the year end
- 7 In case of discontinuance, assessment may be made for the period -
(a) up to the date of discontinuance (b) for the full year
(c) no assessment is needed (d) last assessed year to discontinuance date
- 8 Within how many days, the event of discontinuance should be notified to DCT?
(a) 10 days (b) 15 days (c) 20 days (d) A month
- 9 Within how many days the DCT may serve a notice to the partner(s) to furnish a return of total income along with such other particulars, records, and documents after being notified regarding the discontinuance of a firm?
(a) Maximum 7 Days (b) Maximum 15 Days
(c) Maximum 25 Days (d) Maximum 30 Days
- 10 Integrity of the business is retained in which of the following situation? -
(a) If the business is split up
(b) If the nature of the business is changes
(c) If the liability and assets of the earlier business is not taken
(d) If there is substantial identity and similarity in the nature and extent of the activities

TRUE (T) OR FALSE (F) IDENTIFICATION

- 1 A partnership firm is a legal entity like a corporation.
2 The income of a firm is taxed at the same rate as applicable to an individual.
3 Succession is the transfer by one trader to another of the business along with the goodwill, i.e., the right to that benefit which arises from connection and reputation.
4 Succession may take place without a valid transfer of ownership.
5 The successor cannot claim to carry forward and set off the losses incurred by his predecessor

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ18.1 Differentiate between partnership and partner.
DQ18.2 State the procedure of assessment with respect to partners and partnership firm.
DQ18.3 How the share of spouse or minor child in a partnership firm is assessed?
DQ18.4 Mention the steps required to compute the share of partners' profit in a firm.
DQ18.5 Is the firm responsible for unrecoverable portion of tax of a partner? If yes, to what extent?
DQ18.6 In what situations, the composition of a firm may change?
DQ18.7 What do you mean by succession? What are the requisites of succession?
DQ18.8 Write short note on: ☐ Partners ☐ Partnership ☐ Succession ☐ Discontinuance

PROBLEM CASES (PC)

PC18.1: Mr. A, Mr. B and Mr. C are the three partners of ABC & Associates who shares profit and loss in a 2:2:1 ratio. The profit and loss account for the year ended on June 30, 2024, was given below:

Rent	Tk. 25,000	Gross Profit	Tk. 500,000
Utilities	20,000		
Commissions	40,000		
Advertisements	15,000		
Miscellaneous Expenses			
Interest on Capital:	28,000		
A 7,000; B 7,000; C 6,000	20,000		
Salaries: A 24,000; C 22,000	46,000		
Net Profit	306,000		
	500,000		500,000

Other Information: (1) Rent includes Tk. 15,000 paid to Mr. C who partially owns the business premises. (2) Tk. 12,000 of commission is given to Mr. B for his special assignment. (3) Miscellaneous expense includes a donation of Tk. 8,000. (4) Partners have income from different sources as: Income from House Property Tk. 50,000 and Tk. 60,000 for A and C respectively; Income from Interest on Securities Tk. 40,000, Tk. 70,000 and Tk. 80,000 for A, B and C respectively; Agricultural Income Tk. 50,000 for B; Income from other sources (Dividend) Tk. 28,000 and Tk. 15,000 for A and C respectively. Compute the taxable income and tax liability of the firm and the partners and also show the amount of distribution to the partners.

PC18.2: P, Q & S are partners sharing profits and losses in the ration of 3:2:1. The particulars of income for the year ended 30th June 2024 are as under:

- ☐ **House Properties:** The firm owns a building consisting of two storeys of identical specification, partially used for the firm's business and partially for let out at a rent of Tk. 20,000 per month. The corporate valuation of the building is Tk. 3lac on which corporation tax is paid @10%. The firm has also earned Tk. 50,000 p.a. by letting its premises to a retailer for running his temporary business.
- ☐ **Business in Apparels:** The trading accounting for the year was as under:

Opening Stock	Tk. 700,000	Sales	Tk. 4,000,000
Purchases	3,000,000	Closing Stock	900,000
Gross Profit	1,200,000		
	4,900,000		4,900,000

Stocks are always valued at cost plus 2% basis. Analysis reveals that purchase amount is understated by Tk. 2 lac for the year. Total expenses charged during the period amounts to Tk. 450,000 which included among other things, following items: (a) Maintenance to Building: Let -out portion Tk. 10,000 and Portion used for business

Tk. 10,000. (b) Municipal Taxes Tk. 25,000 (Municipal taxes for the year were Tk. 30,000; tenant paid Tk. 5,000) (c) Annual contribution to Aga Khan Development Network a trade association Tk. 10,000. (d) Contribution to Aga Khan Development Network Tk. 50,000. (e) Salaries to the partners: P Tk. 30,000; Q Tk. 40,000 and S Tk. 50,000. (f) Legal charges amount to a total of Tk. 50,000 where there was a fine of Tk. 10,000 charged due to its attachment with infringement of law. (g) Amount of bad debt Tk. 18,000 which is not allowed. (h) Loss on speculative transactions Tk. 50,000. (i) Accounting depreciation is Tk. 2,000 less than tax depreciation.

P had no other sources of income, but Q and S were also partners in another firm. The shares of Q & S for the year ended 30th June 2024 were as under:

Partners	Salary	Interest	Profit/ (Loss)	Total
Q	40,000	10,000	(50,000)	-
S	60,000	20,000	20,000	100,000

P has also income from a house property at London amounting to Tk. 500,000 (after deduction of 15% tax at source). S has other personal income of Tk. 40,000.

Required: Compute tax to be paid by the firm in which P, Q and S are partners and total taxable income in the hands of those partners from all sources. Also, State the principles governing the basis of taxability of total income of P, Q & S.

PC18.3: A, B and C are partners in a firm sharing profit and loss in the ratio of 2:2:1. The firm showed income of Tk. 2 lac as at 30.06.2024. Examination of the books of accounts of the firm revealed: (1) A, B, C were paid salary at Tk. 36,000, Tk. 45,000 and Tk.48,000 respectively (2) A and C were paid interest at Tk. 40,000 and Tk. 50,000 respectively for the money borrowed from them (3) Commission on sale of goods paid to partner B Tk. 30,000 (4) Factory rent Tk. 150,000 paid to partner A (5) Office rent Tk. 60,000 paid to partner B (6) Penalty Tk. 55,000 paid for violation of customs law (7) Donation made to Aga Khan Foundation Tk. 50,000 (8) Advance tax paid Tk. 35,000 (9) Partners' drawings were: A Tk. 50,000; B Tk. 45,000 and C Tk. 40,000. From the above information compute the total income of the firm and of each partner.

PC18.4: Sun-Moon Enterprise is a firm comprising of two partners named Sun and Moon sharing profit and losses in a ratio of 2:1. During the year ended on June 30, 2024, the partners besides their shares in the firm enjoyed income and substantial losses from other sources: **Sun:** Income from House Property Tk. 80,000; Income accrued in India from partnership Tk. 70,000; share of loss from an Association of Persons Tk. 60,000 and Property tax paid Tk. 5,000. **Moon:** Capital gain Tk. 20,000; loss from Speculative business Tk. 60,000; profit on sale of residential house property Tk. 150,000; income from lottery Tk. 80,000 and Income tax refund Tk. 11,000. The profit and loss account of the firm for the year ended June 30, 2023, follows:

Office Contingencies	Tk. 6,000	Gross profit b/d	Tk. 415,000
Salaries: Staff 50,000, Sun 25,000, Moon 15,000	90,000	Dividend	60,000
Repairs to building	25,000	Interest on Securities	25,000
Bad Debts	8,000		
Advance Income Tax	15,000		
Legal expenses	7,000		
Commission to Sun	10,000		
Life insurance premium: Sun	15,000		
Fire premium	18,000		
Commission to broker	8,000		
Depreciation	12,000		
Net Profit	286,000		
	500,000		500,000

Other information: Included in repairs is Tk. 15,000 on account of cost of typewriter to be depreciated @ 10% p.a. as per taxation law; legal expenses are inclusive of Tk. 5,000 being the fine imposed by Custom Authorities for infringement of law; office contingencies include Tk. 2,000 spent as commission for investment in shares; depreciation admissible excluding typewriter is Tk. 14,000; Interest earned is on less tax gov securities; the policy value of life insurance for Sun is Tk. 1 lac.

Required: Find out the taxable income of firm and taxes payable by it and complete the income taxable in the hands of partners and the tax liability of the partners

PC18.5: M/s RJT and Co. is a partnership firm. Mr. Rony, Mr. Jony and Mr. Tony are three partners of the firm who shares profit and losses at a ratio of 5:4:3. The firm filed return of income showing net profit at Tk. 2,000,000 for the assessment year 2024-2025. Examination of the books of accounts revealed: (a) Salary includes payment of Tk. 150,000 to Mr. Rony, Tk. 120,000 to Mr. Jony and Tk. 70,000 to Mr. Tony. (b) Rent includes the payments for office rent to Mr. Tony Tk. 120,000 and godown rent to Mr. Rony Tk. 60,000. (c) Miscellaneous expenses include payments for commission Tk. 20,000 to Rony; Tk. 36,000 paid to Mr. Bari who is working as caretaker at the residence of Mr. Tony; Tk. 24,000 paid as salary to Ms. Bari who is working as maid servant at the residence of Jony; Tk. 90,000 paid to Jony for using his lorry in the shipment of goods and Tk. 65,000 paid as interest for the amount of money borrowed from Tony. (d) Partex Holding constructed the factory building of M/s RJT and the firm paid Tk. 1,500,000 to Partex Holding without deduction of any taxes. (e) During the year under consideration the firm imported sugar and Tk. 120,000 was deducted as AIT by the custom authority at the import stage. The sugar remains unsold during the year. This is the 1st year of assessment. The firm paid no advance taxes as per provisions of sec-156. From the above information compute the total income of the firm and of partners, tax payable by the firm and simple interest if any payable.

PC18.6: Ram and Laxman are the two equal partners of 'R & L International' that reports income of Tk. 12 lac for the current assessment year:

R & L International Income Statement For the year ended on June 30, 2024			
Debit	Tk.	Credit	Tk.
	250,000	Balance b/d	1,245,000
Salaries	90,000	Interest on securities (net)	60,000
Commission	40,000	Income from house property	350,000
Interest	30,000	Income from sale of rubber	270,000
Traveling Expense	50,000	Dividend Income	100,000
Legal Expense	60,000	Interest on Drawings (Ram)	5,000
Office Expenses	35,000	Gain on Sale of Motor Car	10,000
Promotional Expenses	40,000		
Bad Debt	90,000		
Miscellaneous Expenses	80,000		
Depreciation Expense	75,000		
Donation	1,200,000		
Net Profit	2,040,000		2,040,000

A scrutiny of the accounts as submitted, the DCT revealed the followings facts:

- ☐ Tk. 12,000 shown as traveling expense of Ram for opening a branch at Sylhet.
- ☐ Mr Jaylal, the general manager of the firm received TK. 14,000 of monthly salary without bank transfer or check, rather paid in cash.
- ☐ Bad debt recovered of Tk. 40,000 was not shown in the credit side of the P/L A/C. Such recoverable amount was not written off earlier as it was disallowed by the authority.
- ☐ Tk. 10,000 was paid for registering trademark and Tk. 50,000 was paid for purchasing goodwill both of which are charged against current year's profit.
- ☐ Accounting depreciation charged was Tk. 30,000 less than the tax depreciation.
- ☐ Data relating to motorcar that has been sold during the year was as follows:

Original Cost	: Tk. 80,000
Accumulated Depreciation (as per accounts)	: Tk. 60,000
Depreciation approved by tax authority to date	: Tk. 55,000
Sales Proceeds	: Tk. 30,000

- ☐ Legal expenses include Tk. 30,000 for penalty imposed by Custom Authority and miscellaneous expense includes Tk. 15,000 as a cost of forming contract among partners.
- ☐ Rent of Tk. 50,000 given to Laxman for using his house property as a place of business is included in office expenses.

- ☐ Promotional expense includes Tk. 20,000 for constructing a permanent billboard for advertising the services provided by the firm.
- ☐ Bad debt includes Tk. 20,000 given to the employees as advance that becomes irrecoverable. An embezzlement amount of Tk. 5,000, which was misappropriated by the cashier-cum-accountant, was also included in this item. Such embezzlement was incurred during the office hours.
- ☐ The firm owns a rubber garden where rubbers are extracted and processed to make it marketable.
- ☐ The firm has invested Tk. 250,000 for purchasing shares in IPO.
- ☐ Payment to partners as follows:

	Ram	Laxman
Monthly Salary (paid without deducting taxes at source)	10,000	-
Commission	-	60,000
Interest on Capital @ 10%	12,000	10,000
Interest on Loan @ 8%	8,000	-

- ☐ Other income of the owners:

Ram	Laxman
House Property Tk. 70,000; Income of Spouse Tk. 60,000; Win Lottery Tk. 150,000; Agricultural Income Tk. 70,000	Interest on less tax com. Securities Tk. 60,000; Loss from speculative business Tk. 80,000; Foreign Income Tk. 60,000; Dividend Income Tk. 40,000.

- ☐ Ram has monthly DPS of Tk. 5,000 and Laxman has a life insurance policy with a policy value of Tk. 1,000,000, yearly premium amounts to Tk. 63,500.

Required: Compute the taxable income of the firm and partners along with the tax liability of both the firm and partners.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
b	d	c	d	a	d	d	b	a	d

TRUE/FALSE

1	2	3	4	5
F	T	T	F	T

SELF - REVIEW 18.1

Yes

SELF - REVIEW 18.2

Rent will be an allowable expense for the firm but for the partner, it will be an income from house property.

SELF - REVIEW 18.2

Both

19

Assessment of Company

"The best measure of a man's honesty isn't his income tax return.
It's the zero adjust on his bathroom scale."
— Arthur C. Clarke

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

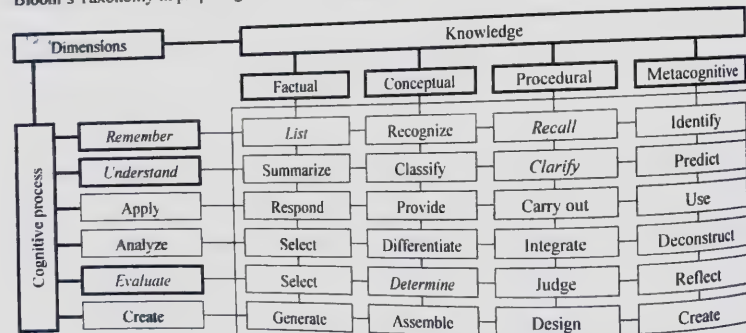
- CLO 19.1 explain the concepts of company
- CLO 19.2 determine the residential status of a company
- CLO 19.3 explain concepts relevant for assessing a company
- CLO 19.4 list the fiscal incentives available for a company
- CLO 19.5 recall the tax rates applicable for a company
- CLO 19.6 determine tax liability of a company
- CLO 19.7 explain the requirements for tax compliance

KEY TERMS

Company, Residential status, Withholding tax, Incentives, CSR, Transfer pricing, One person company, AIT, Banking, and Industrial company, Tax rebate, Compliance

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



19.1
CLO
19.1

INTRODUCTION

Assessment of companies is very important for the government of any country. Because a significant portion of the revenue of government comes from the taxes that companies deposit to the government exchequer. Companies generate revenue from two sides. It pays tax on its income and also causes taxes by giving salaries and other taxable income to individuals and other persons. Thus, government is very careful in this regard and gives sufficient care towards the smooth functioning of companies. This chapter introduces the assessment of companies irrespective of their nature.

19.2
CLO
19.1

DEFINITION

Definitions of company are manifold. In ITA, 2023 it has a different focus, and the scope has been extended significantly. Let us define companies from every angle here to make the discussion an exclusive one.

Definition of 'Company' as per IT Act, 2023

"Company" means a company as defined in the Companies Act, 1994 (Act No. XVIII of 1994) and includes –

- ☐ A liaison office, representative office or branch office of a foreign entity;
- ☐ Any permanent establishment of a foreign entity or person;
- ☐ Any association or body incorporated by or under the laws of any country outside Bangladesh;
- ☐ Any bank, insurance or financial institution;
- ☐ Any industrial and commercial organization, foundation, association, co-operative societies or any educational institutions;
- ☐ Any organization registered with Bureau of NGO Affairs or Microcredit Regulatory Authority;
- ☐ Any association of persons, joint venture, or an association or combination of persons, called by whatever name, if any of such persons is a company or foreign entity as defined in the Companies Act, 1994;
- ☐ Any government entity, local authority or autonomous body;
- ☐ An entity established or constituted by or under any law for the time being in force;
- ☐ All entities other than individuals, firms, association of persons, trusts, Hindu undivided families, or funds
- ☐ any foreign association or body, not incorporated by or under any law, which the Board may, by general or special order, declare to be a company for the purposes of this Act [U/s 2(31)].

Definition of 'Company' as per Companies Act, 1994

Thus, the definition as given in IT Act, 2023 considers the definition of Companies Act, 1994; and extended it further to enlarge the scope. Companies Act 1994 defines 'Company' to mean a company formed and registered under the act or an existing

company [U/s 2(c) of Companies Act, 1994]. Again, 'existing company' means a company formed and registered under any law relating to companies in force at any time before the commencement of the act and is in operation after commencement of the act [U/s 2(h) of Companies Act, 1994].

Public and Private Company as per Companies Act, 1994

The company act also classifies company as public and private. 'Private company' means a company which by its articles –

- ☐ Restricts the right to transfer its shares, if any;
- ☐ Prohibits any invitation to the public to subscribe for its shares or debentures;
- ☐ Limits the number of its members to fifty not including persons who are in its employment [U/s 2(q) of Companies Act, 1994].

And 'public company' means a company incorporated under the Act or under any law at any time in force before the commencement of the act and which is not a private company [U/s 2(r) of Companies Act, 1994].

Bangladeshi and Foreign Company as per IT Act, 2023

In terms of location, IT Act again classifies companies as Bangladeshi and Foreign. 'Bangladeshi Company' means a company formed and registered under the Companies Act, 1994 and also includes a body corporate established or constituted by or under any law for the time being in force in Bangladesh having its registered office in Bangladesh [U/s 2(61)].

Whereas 'foreign company' means a company which is not a Bangladeshi company [U/s 2(64)].

Banking Company as per IT Act, 2023

IT Act also defines 'Banking Company' that has the same meaning as in Bank Companies Act, 1991, and includes anybody corporate established or constituted by or under any law for the time being in force which transacts the business of banking in Bangladesh [U/s 2(71)].

One Person Company (OPC)

One Person Company [OPC] means and includes a company whose shareholder is merely a natural person [U/s 2(1) (bb) of the Companies Act, 1994]. Under this section, any natural person may incorporate an OPC for any lawful object by signing his/her name into the memorandum as the only shareholder.

A natural person can only form a One Person Company (OPC) and to distinguish them from other form of companies, instead of the word "LTD" after the name of a company, OPC (One Person Company) should be written for indication of Limited Company when formed by a single person.

19.3

CLO
19.2

RESIDENTIAL STATUS OF COMPANIES

Chapter – 19 Assessment of Company

As the application of different sections of ITA and even tax rate depends on the residential status of the assessee, it is important to know the residential status of the assessee. "Resident", in respect of any income year, means a Bangladeshi company or any other company, the control and management of whose affairs is situated wholly in Bangladesh in that year [U/s 2(45)(c)]. And "non-resident" means a person who is not a resident [U/s 2(4)]. Thus, to be resident:

- ☐ the company should be a Bangladeshi company, i.e., formed and registered under the Companies Act, 1994 and includes a body corporate established or constituted by or under any law for the time being in force in Bangladesh having its registered office in Bangladesh; or
- ☐ any other company the control and management of whose affairs is situated wholly in Bangladesh in that income year.

If any of the two conditions have not been fulfilled, the status of such a company will be non-resident.

19.4

CLO
19.3

SUBMISSION OF RETURN

A company assessee shall file or cause to be filed a return of income of the income year with the Deputy Commissioner of Taxes on or before the Tax Day.

Tax Day for Company assessee

For company assessee, Tax Day is the 15th day of the 7th month following the end of the income year or the 15th day of September whichever comes later [U/s 2(23)(b)].

Example

Income year ended on: 31 December	Tax Day: Next 15 September
31 March	Tax Day: Next 15 October
30 June	Tax Day: Next 15 January
30 September	Tax Day: Next 15 September

Every assessee must submit a return on or before Tax Day (U/s 171). No provision of extension prayer is available under ITA 2023. Example in exhibit 19.1 will depict a clear idea about the identification of the Tax Day for a company assessee.

Accompanying Documents with Return of Companies:

Such return submitted by the company assessee should accompany an audited statement of accounts, proof of compliance with standards as prescribed by the board from time to time for verification, and a computation sheet explaining the difference between the profit or loss shown in the statement of accounts and the income shown in the return [U/s 169(2)].

EXHIBIT

19.1

Tax Day for Companies

Day following the end of the income year	Income year ended on				
	30.11.2020	31.12.2020	31.03.2021	30.04.2021	30.06.2021
(a) 15 th day of the 7 th month	15.06.2021	15.07.2021	15.10.2021	15.11.2021	15.01.2022
(b) 15 th day of September	15.09.2021	15.09.2021	15.09.2021	15.09.2021	15.09.2021
Tax Day [later of (a) & (b)]	15.09.2021	15.09.2021	15.10.2021	15.11.2021	15.01.2022
Assessment year	2021 - 2022	2021 - 2022	2021 - 2022	2021 - 2022	2021 - 2022

Who will sign and verify the Return of Companies?

In the case of a company, the return should be verified and signed by the principal officer of the company [U/s 169(5)(c)]. According to Section 2(54), Principal Officer of a company includes:

- ☐ managing director, chief executive officer, chief financial officer, director, secretary, treasurer, agent or accountant (by whatever designation known), or any officer responsible for management of the affairs, or of the accounts, of the authority, company, body or association; and
- ☐ any person connected with the management or the administration of the local authority, company, body or association upon whom the DCT has served a notice of his intention to treat him as principal officer.

19.5

CLO
19.3**SET OFF AND CARRY FORWARD OF LOSSES**

Where loss is assessed in any head of income, the company is entitled to set off the loss against its income assessed in other heads of that year. However, loss on speculative business, capital gain, business and tobacco business cannot be set off against income from any other head. If there is no income from other speculative business, capital gain, business and tobacco business in the same year; such loss can be set off only against the income of respective speculative business, capital gain, business and tobacco business in the coming years, if any. When loss cannot be wholly set off, then the unabsorbed loss shall be carried forward but for not more than six successive assessment years. However, unabsorbed depreciation loss can be carried forward for unlimited period. Loss so carried forward is to be set off against income of the respective head only. It is to be noted that loss from the source of exempted income cannot be set off against any source of taxable income.

19.6

CLO
19.3**RETURN OF WITHHOLDING OF TAX**

In Bangladesh, withholding of taxes is usually termed as tax deduction and collection at source. This system is considered as an important mechanism of tax collection. Under this system both private and public limited companies are legally authorized and bound to withhold taxes at some point of making payment which are clearly stated in the ITA and

Income Tax - 38(B)

deposit the same to the Government Exchequer. The taxpayer receives a certificate from the withholding agent and gets credits of tax against assessed tax demand on production of the certificate. Section 177 of ITA 2023 provides the details on the submission of withholding tax return.

Every person, being a company (other than local authority, autonomous body, any government authority, primary and pre-primary school of Bangla medium. Government secondary or higher secondary or educational institutions run on monthly payment order basis), shall file a return of withholding tax collected or deducted with the Deputy Commissioner of Taxes where he is being assessed.

The return shall be prepared in prescribed form and signed and verified by the principal officer. Such return shall be filed with 25th day of every month for the previous month. If the fifteenth day falls on government holiday or weekend, such return should be submitted within following office day. The Board, through official gazette notification, may prescribe forms and process for submission of return readable through electronic, or mechanical media or computer.

19.7

CLO
19.3**ADVANCE PAYMENT OF TAX**

Every company assessee shall pay advance tax in four equal installments falling on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial year if the latest assessed income exceeds Tk. six lakhs [(U/s - 155(2), 154(1)].

However, cigarette manufacturing company will pay advance tax monthly @ 3% [Three percent] on net sale. On failure of payment of any installment, the company will be deemed to be an assessee in default. Penalty may be imposed for such default. If a company estimates that its income during any financial year will be less than the last assessed income, it may submit an estimate of income and pay the advance tax accordingly.

If the amount of advance tax together with the tax deducted at source, if any, is less than 75% of the tax payable on the basis of regular assessment, interest @10% is leviable on the amount by which the tax so paid and deducted falls short of 75% of the assessed tax. On the other hand, the company is entitled to receive interest @10% on the amount by which the aggregate sum of advance tax paid during a financial year exceeds the amount of the tax payable on the basis of regular assessment.



Last year's assessed income of Company X was Tk. 1,500,000. During current year, X paid advance tax of Tk. 120,000 and TDS of Tk. 32,000. However, tax liability of the company on the basis of regular assessment is Tk. 380,000. Compute amount of interest to be paid by the company, if any.

19.8

FISCAL INCENTIVES

CLO
19.4

Following fiscal incentives are available for a company:

- ☐ Registered start-ups involved with deployment or commercialization of new products, process or service driven by innovation, development and technology or intellectual property, will get several facilities, say,
 - submission of income tax return only if the company gives permanent access to its system or books of accounts;
 - minimum tax @ 0.1%; and
 - carry forward of losses to set-off for 9 years.
- ☐ Industries set-up in Special Economic Zones (SEZ), developing unit (DU) in SEZ and Hi-Tech Park Zone (HPZ) will enjoy tax exemption benefits for certain years from the date of commercial operation at the rate specified below:

	Year-wise Exemption (% of Business Income)											
	1	2	3	4	5	6	7	8	9	10	11	12
SEZ	100	100	100	80	70	60	50	40	30	20	-	-
HPZ	100	100	100	100	100	100	100	70	70	70	-	-
DU SEZ	100	100	100	100	100	100	100	100	100	100	70	30
DU HPZ	100	100	100	100	100	100	100	100	100	100	70	30

Note:	Remarks	Exempted for
SEZ	Income except income from edible oil, sugar, flour, cement, iron and iron made product	10 years
HPZ	-	10 years
DU SEZ	Income of economic zone developer	12 years
DU HPZ	Income of Hi-Tech Park developer	12 years

- ☐ Partial tax exemption is available for newly established industrial undertaking (NEIU) and newly established physical infrastructure facility (NEIF) set up within the defined periods as given below:

	Year-wise Exemption (% of Income)									
	1	2	3	4	5	6	7	8	9	10
NEIU [1]	90	80	60	40	20	-	-	-	-	-
NEIU [2]	90	90	75	75	50	50	50	25	25	25
NEIF	90	90	75	75	50	50	50	25	25	25

Note: NEIU shall establish between 1 July 2020 and 30 June 2025 where NEIU [1] established in Dhaka and Chattogram Divisions, and NEIU [2] established in other Divisions. NEIF shall established within 30 June 2024 and going into commercial production/operation within those dates.

Chapter – 19 Assessment of Company

- ☐ The business income of PPP Project Company is fully exempted from income tax for the next 10 years from the date of commercial operation.
- ☐ Income from industries set up in export processing zone (EPZ) is exempted from income tax for specified number of years as mentioned below:

	Year-wise Exemption (% of Income)						
	1	2	3	4	5	6	7
EPZ [1]	100	100	50	50	25	-	-
EPZ [2]	100	100	100	50	50	50	25
EPZ [1]	Dhaka, Mymensingh and Chattogram divisions excluding Rangamati, Bandarban and Khagrachari districts						
EPZ [2]	Rajshahi, Khulna, Sylhet and Barisal divisions and Rangamati, Bandarban and Khagrachari districts						

- ☐ Income derived from the business of software development or Nationwide Telecommunication Transmission Network (NTTN) and information technology enabled services (ITES) will get tax exemption within July 2020 to 30 June 2024.
- ☐ Subject to the fulfillment of specific conditions, following industries will get tax exemption for 10 years:
 - Companies engaged in production of automobile (3-wheeler and 4-wheeler) in Bangladesh (additionally for the next 10 years, the company will enjoy reduced tax rate of 10%).
 - Companies producing motherboard, cashing, UPS, speaker, sound system, power supply, USB cable, CCTV and pen-drive.
 - Companies engaged in production of light engineering items.
 - Companies produces home appliances including washing machine, blender, microwave oven, electric oven, rice cooker, electric sewing machine, induction cooker, kitchenhood and kitchen knives.
 - Companies engaged in providing career orientated education and training on automobile, aircraft storage, food, footwear, glass, mining, mechanical, ship building, leather, refrigeration, ceramics, mechanist, garment design and pattern making, pharmacist, nursing, integrated medical, radiology and imaging, ultrasound, dental, animal health, clothing and garment finishing, poultry farming in agriculture, fisheries, science and IT sector.
 - Hospitals for proving health care services.
- ☐ Income derived from the export of handicrafts shall be tax exempt up to 30 June 2024.
- ☐ Income derived from any Small and Medium Enterprise (SME) engaged in production of any goods is exempted if annual turnover is not more than Taka 5 million (Taka 7 million if the SME is owned by women)

19.9

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19.5

APPLICABLE TAX RATES FOR COMPANIES

Charge of Additional Tax (Under Section 19)

Where any person employs or allows, without prior approval of Bangladesh Investment Development Authority (BIDA) or any other competent government authority, any individual not being a Bangladeshi citizen to work at his business or profession at any time during the income year, such person shall be charged additional tax @ 50% of the tax payable on his income or taka five lakh, whichever is higher in addition to tax payable under this Ordinance.

Charge of Additional Amount, Etc. [Under Section 18(3)(d)]

Where under the provisions of this Act any interest, amount or any other sum, by whatever name called, is to be charged in addition to tax, it shall be charged, levied, paid and collected accordingly.

Charge of Minimum Tax [Under Section 163]

Where under the provisions of this Act any minimum tax is to be charged, it shall be charged, levied, paid and collected accordingly. The rule for minimum tax computation has been enumerated in Section 163 of the IT Act, 2023. As per section 163(2)(b), any TDS under sections 88-92, 94-95, 100-102, 105, 106, 108, 110-118, 120-129, and 132-139 shall be the minimum tax on income from the source or sources for which tax has been deducted or collected. It is important to maintain the books of account in a regular manner under the provisions of sec. 72 for the sources of income for which minimum tax is applicable. Income of these sources shall also be determined in regular manner and tax shall be calculated by using regular rate on such income. Then tax liability for these sources will be finalized as per the following rules:

Amount of minimum tax as calculated before _____	Which ever is higher
Amount of regular tax _____	

It is important to note that the income or loss computed here shall not be set off with the income or loss computed for any regular source. However, the tax deducted or collected from the following sources shall not be the minimum tax [u/s 163(3)]:

Section 89	▪ a contractor or a sub-contractor to the contractor of an oil company
	▪ an oil marketing co. & its dealer/agent excluding petrol pump station;
	▪ any company engaged in oil refinery;
	▪ any company engaged in gas transmission or gas distribution;
Section 120	import of goods by an industrial entrepreneur (except an industrial entrepreneur engaged in producing cement, iron/iron products, ferro alloy products, perfumes, carbonated beverage and toilet waters) as raw materials for his own consumption;



Prescribe the tax effect of the given two companies considering: (a) ABC plc fails to declare dividend for the year within six months following the income year. (b) XYZ Banking Company reports net profit of Tk. 12,00,000 which is more than 50% of the aggregate sum of capital.

Example: Company X imports finished goods to sell in the local market on which TDS is imposed under section 120 at import stage. Should the company gross up the income to show total income? Should the company submit brief audited accounts in support of this transaction?

Minimum tax u/s 163 is applicable for import business as done by Company X. Thus, the company should compute total tax and income under the provisions of section 163. Showing total income through back-calculation of gross up is not permissible. At the same time, a complete set of accounts should be prepared under section 72 and audited for submission. There is no opportunity to submit brief audited account.

Regular Tax on Regular Sources of Income Applying Regular Tax Rate

If the assessee has income from regular source in addition to the income from source or sources for which minimum tax is applicable, regular tax shall be calculated on the income from regular source. The tax liability of the assessee shall be the aggregate of the tax as determined u/s 163(2) and the regular tax under Section 163(4)(a).

Minimum Tax for Companies

For company assessee, minimum tax should be computed applying the provisions as mentioned in Section 163(5). Every company, irrespective of its profits or loss in an assessment year, for any reason whatsoever, including the sustaining of a loss, the setting off of a loss of earlier year or years or the claiming of allowances or deductions (including depreciation), be liable to pay minimum tax in respect of an assessment year at the following rate:

Rate of minimum tax as percentage of the gross receipts	
Manufacturer of cigarette, bidi, chewing tobacco, smokeless tobacco or any other tobacco products	3.00%
Carbonated beverage (SRO no 259 dated 29.08.23)	3.00%
Mobile phone operator	2.00%
Individual except individual engaged in mobile phone operation or in manufacturing of cigarette/bidi/chewing tobacco/smokeless tobacco or any other tobacco products, having gross receipts Tk. 3 crore or more	0.25%
Any other cases	0.60%
Industrial undertaking manufacturing of goods for the first three income years since commencement of its commercial production.	0.10%

Here, gross receipts mean -

- ☐ all receipts derived from the sale of goods;
- ☐ all fees/charges for rendering services or giving benefits including commissions or discounts;
- ☐ all receipts derived from any heads of income.

However, where the assessee has an income from any source that is exempted from tax or is subject to a reduced tax rate, the gross receipts from such source or sources shall be shown separately, and the minimum tax shall be calculated as:

- ☐ minimum tax for receipts from sources that are subject to regular tax rate shall be calculated by applying the rate as mentioned in above table;
- ☐ minimum tax for receipts from sources that enjoys tax exemption or reduced tax rate shall be calculated by applying the rate mentioned in above table as reduced in proportion to the exemption of tax or the reduction of rate of tax;
- ☐ minimum tax shall be the aggregate of the amounts calculated in (i) & (ii) above.

If both the sub-sections (2 & 5) of section 163 is applicable to an assessee, minimum tax payable will be the higher one between minimum tax as per sec 163(2) & 163(5).

Points to be noted in finalizing the minimum tax

- ☐ Minimum tax shall not be refunded or adjusted against refund due for earlier year or years or refund due for the assessment year from any source. [U/s 163(7)]
- ☐ Any surcharge, additional interest, additional amount etc. is payable, it shall be payable in addition to the minimum tax. [U/s 163(8)]
- ☐ Where the regular tax calculated for any assessment year is higher than the minimum tax, regular tax shall be payable then. [U/s 163(9)]

EXHIBIT

19.2

Charge of Tax for Companies: Few Cases

CHARGE OF MINIMUM TAX

Case 1: Gross receipt of Company Y, a private limited company, for the year ending on June 30, 2024, is Tk. 50 lac [10 lac from the regular sources and 40 lac from sources subject to 15% TDS]. Here, minimum tax for Company Y will be as follows:

Gross receipt from regular sources	Tk. 1,000,000 @ 0.60%	Tk. 6,000
Gross receipt subject to TDS @ 15%	Tk. 4,000,000 @ 0.60% × (15 ÷ 30)	12,000
Total min. = air tax of Company Y		Tk. 18,000

Case 2: Company M, a Private Limited Company, has imported goods valuing Tk. 40,00,000 on which tax has been deducted at source @ 5% (Tk. 200,000). The imported goods are sold for Tk. 75,00,000 during the income year ended on June 30, 2024

Company M reports Tk. 800,000 profit during the year as per the audited account submitted with the National Board of Revenue. On scrutiny, the Deputy Commissioner of Taxes find no expenses disallowed and thus the account is accepted. Here, Company M is subject to both 163(2) and 163(5) and thus, minimum tax will be

Minimum Tax Under Section 163(2)

Tax deducted at source	Tk. 200,000
Regular tax on regular sources at regular rate (27.50% of Tk. 800,000)	Tk. 220,000
Minimum tax U/S 163(2) will be (whichever is higher)	Tk. 220,000

Minimum Tax Under Section 163(5)

Gross receipt of the company	Tk. 75,00,000
Minimum tax rate on gross receipt	= 0.60%
Minimum tax U/S 163(5) will be	Tk. 45,000

Thus, minimum tax for Company M will be Tk. 220,000 under section 163(6)

Case 3: Gross receipt of Company P, a private limited company operating in Dhaka, is Tk. 80,00,000 during the income year ended on June 30, 2024. The company has reported Tk. 200,000 as profit in submitted accounts with the NBR

The Deputy Commissioner of Taxes doesn't find any expenses inadmissible under section 55 and the Deputy Commissioner of Taxes concludes that the company has complied with all the rules in every respect. Here, the amount of minimum tax for the assessment year is:

Regular tax (27.50% of Tk. 200,000)	Tk. 55,000
Minimum tax (0.60% of Tk. 80,00,000)	Tk. 48,000
Thus, the tax liability of Company P will be	Tk. 55,000

CHARGE OF TAX ON STOCK DIVIDEND

Case 1: XYZ Ltd. a publicly traded company, declares and pays stock dividend valuing at Tk. 800,000 and cash dividend of Tk. 800,000 for the year 2024. As the value of both cash and stock dividend is same, there will be no tax on stock dividend declared by XYZ Ltd. for the year.

Case 2: XYZ Ltd., a publicly traded company, declares and pays stock dividend valuing at Tk. 600,000 and cash dividend of Tk. 800,000 for the year 2024. As the value of stock dividend is less than that of cash dividend, there will be no tax on stock dividend declared by XYZ Ltd. for the year.

Case 3: XYZ Ltd., a publicly traded company, declares and pays stock dividend valuing at Tk. 800,000 and cash dividend of Tk. 600,000 for the year 2024.

As the value of stock dividend is more than that of cash dividend, XYZ Ltd. has to pay tax on whole of stock dividend declared for the year 2024 at the rate of 10%. The amount of tax on stock dividend will be Tk. 80,000 (10% of Tk. 800,000).

Case 4: XYZ Ltd., a publicly traded company, declares and pays stock dividend valuing at Tk. 800,000 for the year 2023. As the company doesn't declare any cash dividend for the year, XYZ Ltd. has to pay tax on whole of stock dividend declared for the year 2024 at the rate of 10%. The amount of tax on stock dividend will be Tk. 80,000 (10% of Tk. 800,000).

CHARGE OF TAX ON RETAINED EARNINGS

Case 1: XYZ Ltd., a publicly traded company, declares 20% cash dividend and 10% stock dividend for the year 2023. The company is not required to pay taxes on stock dividend and retained earnings as the amount of retained earnings doesn't exceed 70% of the net income after tax and cash dividend is more than stock dividend.

Case 2: XYZ Ltd., a publicly traded company, declares Tk. 5,000,000 as the net income after tax for the year 2023. It declares no cash dividend for the year but stock dividend of 10% (equivalent to Tk. 500,000). The company is subject to both taxes on stock dividend and retained earnings.

Taxes on Stock Dividend

As no cash dividend is declared for the year, taxes on stock dividend will be 10% of whole amount of stock dividend, i.e., Tk. 500,000 = Tk. 50,000

Taxes on Retained Earnings:

As the dividend declared is only 10%, it means the amount transferred to retained earnings exceeds 70%. Thus 10% tax should be counted on whole amount transferred to retained earnings, i.e., Tk. 4,500,000 = Tk. 450,000.

Tax on the Difference of Investment, Import and Export [Section 20]

Where, in any income year, the assessee has, in the statements submitted by him:

- ☐ claimed to have carried on any import or export, and the amount paid or received for such import or export respectively, as shown in the statement, is found to be different from the actual transaction value (clause a), or
- claimed to have made any investment and the actual investment is found to be lower than the amount of investment disclosed in the statement (clause b),
- ☐ tax, without prejudice to any other provisions of this Ordinance, shall be payable at the rate of fifty percent (50%) on the amount of the difference as mentioned in clause (a) or on the difference between the disclosed and the actual amount of investment as mentioned in clause (b), as the case may be.

Example: X Ltd., a private limited company, has claimed that the monetary value of their total export during the income year 2023-24 was Tk. 5,00,00,000. But through an investigation it has been revealed that its actual amount of export was Tk. 6,00,00,000. In addition to the amount of its regular tax, X Ltd. has to pay an additional tax amount of fifty percent (50%) on the amount of the difference in actual and disclosed export value i.e. $(6,00,00,000 - 5,00,00,000) \times 50\% = \text{Tk. } 50,00,000$.

Charge of Tax on Retained Earnings, Reserves, Surplus Etc. (U/s 22)

Notwithstanding anything contained in IT Act, 2023 or any other law for the time being in force, if in an income year, the total amount transferred to retained earnings or any fund, reserve or surplus, called by whatever name, by a company registered under Companies Act 1994 and listed to any stock exchange exceeds 70% (seventy per cent) of the net income after tax, tax shall be payable at the rate of 10% (ten per cent) on the total amount so transferred in that income year. Such tax cannot be adjusted with any other tax liability of the company.

Charge of Tax on Stock Dividend (Under Section 23)

Notwithstanding anything contained in IT Act, 2023 or any other law for the time being in force, if in an income year, the amount of stock dividend declared or distributed exceeds the amount of cash dividend declared or distributed or without declaration or distribution of any cash dividend by a company registered under Companies Act 1994 and listed to any stock exchange, tax shall be payable at the rate of 10% (ten per cent) on the whole amount of stock dividend declared or distributed in that income year.

EXHIBIT

19.3

Corporate Tax Rates for the Assessment Years

		2024-25	2023-24
Bank, Insurance, Financial Institutions (other than Merchant Bank)	Capital gain arising out of: <ul style="list-style-type: none"> Transfer of stocks and shares of any company registered under Companies Act, 1994. [SRO No. - 269-Law/Income Tax/2010] Transfer of other capital assets 	10% 15%	10% 15%
	Dividend Income Dividend declared by any company registered under companies act 1913 or 1994 or any foreign company	20%	20%
	Other Income <ul style="list-style-type: none"> For publicly traded company Other than publicly traded company 	37.50% 40%	37.50% 40%
	Merchant Bank Both for publicly and not publicly traded company (except capital gain and dividend income)	37.50%	37.50%
	Mobile Phone Operator Company Private Limited Company If converted into public limited company by issuing minimum 10% of shares (not more than 5% in pre initial public offering placements) through IPO [However, if such company transfers 20% of their paid-up capital through IPO, it will enjoy 10% tax rebate on tax payable for the year of listing]	45% 40%	45% 40%
Cigarette Manufacturing Company	Private Limited Company	45%	45%
	Publicly Traded Company	45%	45%

		2022-23	2023-24
Other Company	Capital gain arising out of		
	• Transfer of stocks and shares of any company registered under Companies Act, 1994. [SRO No. - 269-Law/Income Tax/2010]	10%	10%
	• Transfer of other capital assets	15%	15%
	Dividend income		
	Dividend declared by any company registered under companies act 1913 or 1994 or any foreign company	20%	20%
	Other income		
	• For publicly traded company: If more than 10% of paid-up capital transferred through IPO. (if transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 22.50%)	20%	20%
	• For publicly traded company: If 10% or less of paid-up capital transferred through IPO. (if transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 22.50%)	20%	20%
	• One person company (if transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 25%)	22.50%	22.50%
	• Non-publicly traded company, local authority and private limited co. & other companies as per ITA 2023 (if transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 30%)	27.50%	27.50%

Others	Income from Cigarette business by Cigarette Manufacturer other than company	45%	45%
	Co-operative Societies, registered under the Co-operative Societies Act, 2001	20%	15%
	Private Universities, Private medical college, Private dental college, Private engineering college or Private college engaged in imparting education on information technology	15%	15%
	Trust, Fund, Association of Persons and other taxable entity (if transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 30%)	27.5%	27.50%
	Non-Resident Foreigner (Other than Company or AOP)	30%	30%

19.10 CORPORATE SOCIAL RESPONSIBILITY

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19.3

[SRO 229-AIN/IT/2011 DATED 04-07-2011 later updated by SRO 223-AIN/IT/2012 dated 27.06.2012 and SRO 186-AIN/IT/2014 dated 01.07.2014]

- ☐ **Allowable limit:** Maximum limit of allowable expenditure under the head Corporate Social Responsibility (CSR) is 20% of total income or Tk. 12,00,00,000; whichever is lower. If actual expenditure exceeds this limit, such amount exceeding the limit cannot be used to compute tax rebate.
- ☐ **Tax Rebate:** Tax rebate will be computed @ 10% on such expenditure for CSR within the maximum limit.
- ☐ **Conditions:** To claim tax rebate against CSR, the corporate must fulfill the following conditions:
 - Must pay salaries and allowances to its worker regularly and must have waste treatment plant if it involves with the production of industrial goods;
 - Must pay income tax, VAT & duty timely and must repay institutional loans;
 - Can only donate money to the institutions recognized by the government for the purpose of CSR;
 - Must fulfill all rules as per Bangladesh Labor Act, 2006.

However, no company can charge such expenditure as a result of CSR in manufacturing or profit and loss account. Such company shall also submit sufficient documents with DCT to prove whether the expenditure claimed as CSR is really spent. The donation under CSR is to be done through proper banking channel.

- **Areas of CSR:** 10% rebate is allowed to the corporate organizations on their corporate social responsibility (CSR) related expenditures subject to the fulfillment of some prescribed conditions. The scope areas of the CSR to avail this rebate are as follows if any contribution is made to any organization engaged in (SRO 229-AIN/IT 2011 dated 04.07.2011 later updated by SRO 223-AIN/IT 2012 dated 27.06.2012 & SRO 186-AIN/IT/2014 dated 01.07.2014):
- Donation through any government bodies to the people of areas affected by natural calamities like Cyclone, Earthquake, Hurricane, Flood etc.
 - Old home foundation and management,
 - Welfare of mentally or physically disable people,
 - Educational institution for street / homeless children,
 - Building houses for people living in slums,
 - Donation to social organizations involved in building public awareness about women-right and dowry system,
 - Donation to organizations providing welfare of orphan/homeless children,
 - Donation to organizations doing research about liberation war, campaign to uphold the spirit of liberation war and welfare of freedom fighters,
 - Improving sewerage facilities in Chittagong hill tract, alluvial land, river breakage areas.
 - Donation to organizations that treat of hare-lipped, cataract; cancer, leprosy.
 - Donation to organizations serving treatment to the Acid Victims,
 - Specialized hospital established for serving the poor people free medical facilities and improving the quality e.g. Cancer, Liver, Kidney, Thalassemia, Eye and Cardio.
 - Donation to public universities;
 - Donation for promoting technical and vocational education for poor meritorious students through government approved educational institution;
 - Donation to government or MPO included Private educational institution to establish lab and arrange training for IT, Computer and English education;
 - Donation to the organizations engaged in promoting technical and vocational education for unskilled or semi-skilled workers for manpower export;
 - Donation to organizations engaged in infrastructure development and training for national sports level.
 - Donation to build or under constructed national level museums established in the memory of the liberation war.
 - Donation to non-profitable entity established for treatment, increasing awareness and rehabilitation of HIV, AIDS or intoxication affected people.
 - Donation to any national level institution set up in memory of Father of the Nation;
 - Donation to the non-profitable private organizations established for the welfare of women and children saved from human trafficking.
 - Donation to government approved fund established for any unique disaster/catastrophe or arranging any tournament or national event.

Example: X Ltd, a public limited co, has presented the following information: total expenditure on CSR activities Tk. 1 crore, Net income as per audited income statement Tk. 10 crore, and the Corporate tax rate is 22.50%.

Total income for assessment purpose = Tk. (10 + 1) = Tk. 11 crore
 (CSR expenditure is inadmissible expense, so added back)
 Gross Tax at regular rate* = (11 crore × 22.5%) = Tk. 2.475 crore
 Maximum limit of the CSR expenditure, on which rebate will be allowed:
 20% of the total income of the company (11 × 20%) = Tk. 2.2 crore
 Or. Tk. twelve (12) crore, whichever is lower i.e. = Tk. 2.2 crore.

Since the company's actual CSR expenditure (Tk. 1 crore) is less than the maximum limit (Tk. 2.2 crore), it will get 10% rebate on CSR expenditure of Tk. 1 crore.

Therefore 10% CSR rebate is (1 crore × 10%) = Tk. 10 lac.

Net tax will be: (Gross tax - 10% CSR rebate)
 = Tk. 2.475 crore - 0.1 crore = Tk. 2.375 crore

*Assuming that the tax liability is more than minimum tax applicable for a company

19.11 TRANSFER PRICING

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19.3

Transfer pricing addresses the impact of international transactions made by associated enterprises on disclosed net income and taxes as well. Income Tax Act 2023 covers transfer pricing related provisions in second chapter of Part 15 (U/s 233-239). The act requires that 'every person who has entered into an international transaction shall furnish, along with the return of income, a statement of international transactions in the form and manner as may be prescribed'. It also prescribes the mode of computing transfer prices in a specified method of 'arm's length price'. Arm's length price means a price in a transaction, the conditions (e.g., price, margin or profit split) which do not differ from the conditions that would have prevailed in a comparable uncontrolled transaction between independent entities carried out under comparable circumstances [U/s 233(1)]. The arm's length price in relation to an international transaction shall be determined by applying the most appropriate method(s) selected from the following methods based on the nature of transaction, the availability of reliable information, functions performed, assets employed, risks assumed or such other factors as may be prescribed, namely [U/s 235(1)]:

- comparable uncontrolled price method;
- resale price method;
- cost plus method;
- profit split method;
- transactional net margin method;
- any other method where it can be demonstrated that-
 - none of the methods mentioned in (a) to (e) can be reasonably applied to determine the arm's length price for the international transaction; and
 - such other method yields a result consistent with the arm's length price.

Comparable Uncontrolled Price Method

Under this method, the price charged or paid for property transferred or services provided in an uncontrolled transaction or a number of transactions of comparable circumstances is identified. The differential amount is calculated if the identified price differs from the price of the international transaction. The differential is then adjusted with the price of international transaction which is taken to be the arm's length price of the property transferred or services rendered in the international transaction.

Example: ABC plc charged Tk. 500,000 to XYZ plc, an associated enterprise, in an international transaction of transferring inventory. However, the price in comparable circumstances is identified to be Tk. 650,000. Thus, the differential amount is Tk. 150,000 which is adjusted with the price of international transaction. And the arm's length price will be Tk. 650,000 (Tk. 500,000 + Tk. 150,000).

Resale Price Method

Under this method, the price at which the transferred property or service could be resold to an independent enterprise is identified. Then, the price is reduced by a comparable normal gross margin. The price so arrived at is then adjusted for other unique costs (such as customs duty) associated with the purchase of the property or services. The price so arrived at is then adjusted to take into account the material differences (differences that could materially affect the gross margin in open market condition) such as functions performed, risks involved, assets employed, time gap between the original purchase and the resale and accounting practices between the international transactions and the comparable uncontrolled transactions, or between the enterprises undertaking such transactions. The adjusted price so computed shall be taken to be the arm's length price of the property purchased or the service obtained in the international transaction.

Example: ABC plc transferred inventory to XYZ plc, an associated enterprise, in an international transaction that may be resold to an independent enterprise for Tk. 500,000. A comparable gross margin rate is reached to be 15% of sale. Associated customs and supplementary duty was Tk. 80,000. No other situation related to the transaction is identified that could create material differences in gross margin in open market condition. Here, the arm's length price should be Tk. 345,000 (Tk. 500,000 - 15% of Tk. 500,000 - Tk. 80,000).

Cost Plus Method

Under this method, the direct and indirect costs incurred in the supply of property or the provisions of services are determined along with a comparable profit mark-up (based on comparable accounting policies). Appropriate adjustment is then made to the comparable profit mark-up adjusted to take into account the material differences (differences that could materially affect the mark-up in open market condition) such as functions performed, risks involved, assets employed, contractual terms and market

conditions between the international transactions and the comparable uncontrolled transactions, or between the enterprises undertaking such transactions. The adjusted profit mark-up is then added to the cost and the sum so arrived at is taken to be the arm's length price of the property transferred or services provided in the international transaction.

Example: ABC plc transferred inventory to XYZ plc, an associated enterprise, in an international transaction. The direct and indirect cost incurred in the supply of inventory is identified to be Tk. 300,000. Comparable mark-up (profit on cost) is 20%. However, due to foreign currency fluctuation and risk associated with the transaction, the mark-up should go up by 8%. Thus the arm's length price should be Tk. 384,000 [Tk. 300,000 × 28% (20% + 8%)].

Profit Split Method

Under this method, the combined profit, arising from international transaction or transactions and divisible among the associated enterprises, is identified. The combined profit is then divided among the associated enterprises by using the following approaches:

- Each of the associated enterprises is allocated a basic return based on the basic functions (manufacturing, distribution, service provision etc.) each enterprise performed and determined by reference to market returns earned by independent enterprise in similar transaction. This basic return does not usually account for the return that would be generated by any unique and valuable assets possessed by the associated enterprises. The residual profit (which may be attributable to such unique assets), calculated by deducting the sum of basic returns allocated to associated enterprises from the combined profit, is then apportioned to the associated enterprise based on their relative contribution and taking into consideration how independent enterprises in similar circumstances would have divided such residual profit; or
- Basic return is not allocated to the associated enterprises; the combined profit is divided among the associated enterprises based on the relative contribution of each of the associated enterprises to that profit.

The profit thus allocated to the assessee is taken to be the arm's length price.

Transactional Net Margin Method

Under this method, the net profit margin earned by the associated enterprise from the international transaction with the associated enterprise is computed having regard to an appropriate base such as costs, sales or assets.

The net profit margin earned by an independent enterprise or enterprises from comparable uncontrolled transaction, or a number of such transactions is computed having regard to the same base. Appropriate adjustment is then made to the net profit

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margin to take into account the differences that can materially affect the net profit margin, between the international transactions and the comparable uncontrolled transactions, or between the enterprises undertaking such transactions. The adjusted net profit margin is then applied to the base to arrive at the arm's length price in relation to the international transaction.

The most appropriate method for determining the arm's length price of an international transaction shall be the method that provides the most reliable measure of an arm's length price in relation to the international transaction. In this regard, the following factors shall be considered.

- ☐ the nature and class of the transaction, and of enterprises entering into the transaction;
- ☐ the comparability factors (industry, functions, risks, contractual terms, market level) that are materially significant in determining the price or margin in relation to the transaction;
- ☐ the quality (availability, coverage, validity and reliability) of relevant data;
- ☐ the reliability of assumptions in the method;
- ☐ the sensitivity of results in the deficiency in data and assumptions;
- ☐ the extent to which the reliable and accurate adjustments can be made to eliminate the differences, if any, between the international transaction and the comparable uncontrolled transaction or between the enterprises entering into such transactions.

19.12 TAX COMPLIANCES

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19.7

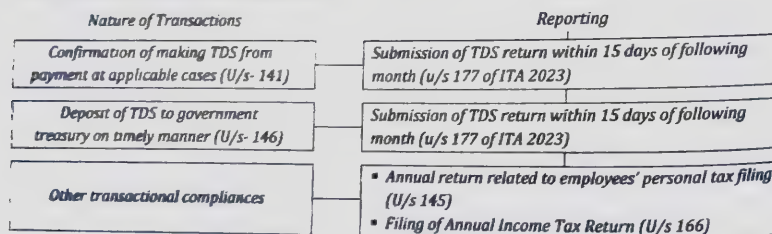
Different compliance issues are presented in exhibit 19.4. The concerns are mainly focusing on the transactional and reporting compliance. Consequence of failure in certain compliance and tax calendar for company are also covered in this segment.

EXHIBIT

19.4

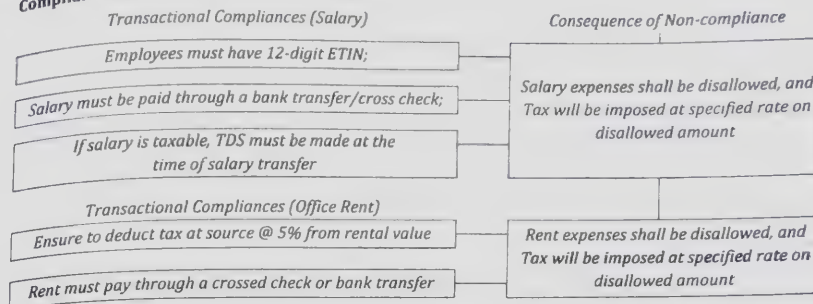
Tax Compliance

Transactional and Reporting Compliances

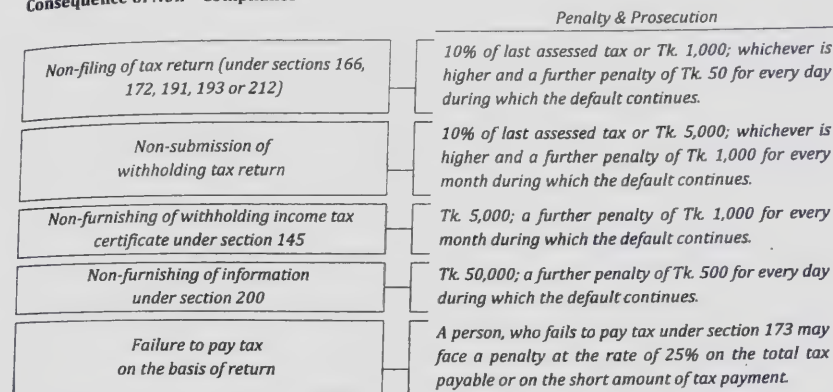


Income Tax-39(B)

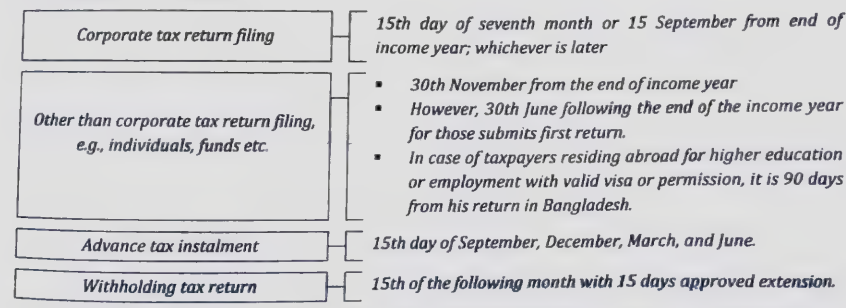
Compliance issues for Salary and Office Rent



Consequence of Non - Compliance



Tax Calendar for Company



Other Transactional Compliances

- ☐ Tax deducted at source (TDS) from applicable payment must deduct and credited to government treasury duly;
- ☐ Any perquisite related to an employee must not exceed Taka 10,00,000 in a year;
- ☐ Salary should be paid through bank transfer/cross check;
- ☐ Any commission and discount shall not be paid to any shareholder director;
- ☐ Rent of any property must not pay otherwise than by a crossed check or bank transfer.

19.13 ASSESSMENT PROCEDURE

CLO
19.3
19.6

The company assessment (figured below) starts with calculation of business profit considering the same provisions as used in case of computing income from business or profession. Such income is adjusted for the assessee being a company resulting taxable income. Then tax liability is calculated after all adjustments in this regard.



- 4 Finally, gross tax liability is reduced due to tax rebate or other deductions to calculate net tax liability.
- 3 Gross tax liability is calculated with the respective tax rate applying on the taxable income as computed in step 2.
- 2 Total income of the company is calculated by adding income from other areas with business income.
- 1 Disclosed income from the business is revised in line with the sections 28, 29 and 30 of IT Ordinance, 1984.

POINTERS

The following three sections are relevant to calculate taxable income of a company:

- ☐ Scope of Income from Business
[Section 45, See Chapter 8 (8.3)]
- ☐ Allowable deductions/admissible expenses
[Section 49-53, See Chapter 8 (8.4)]
- ☐ Inadmissible expenses
[Section 55, See Chapter 8 (8.10)]

EXHIBIT

19.5

Specimen Format for Company Assessment

1. Income from Business or Profession:		
Net Profit as per Profit and Loss Account		Tk. XX
Less: Income considered separately		XX
Add: Expenses considered separately		XX
Add: Special sources of income from business		XX
Add: Inadmissible expenses		XX
Less: Admissible expenses		XX
Income from business before charging entertainment expense		XX
Less: Entertainment expense		XX
Income from business after charging entertainment expense		XX
Less: Special business income		XX
2. Total Taxable Income from business		XX
3. Calculation of Tax Liability		
▪ On total taxable income at flat rate	Tk. XX	
▪ On dividend income @ 20%	XX	
▪ On capital gain @ 15%	XX	XX
Less: Tax Rebate		XX
Net Tax Liability		XX

SOLVED PRACTICAL CASES (SPC)

ASSESSMENT: GENERAL CASES



TAXABLE INCOME, CAPITAL GAIN, CSR, TAX LIABILITY

The income statement for the year ended June 30, 2024, of Jonesville Inc. is given below. Determine the taxable income of the company and net tax liability thereof.

Salaries	Tk. 450,000	Gross Profit	Tk. 1,535,000
Office Rent	110,000	Dividend	60,000
Commission	50,000	Share Transfer Fee	40,000
Advertisements	120,000	Unclaimed Dividend	35,000
Donation	80,000	Gain on Sale of Furniture	25,000
Interest on Loan	60,000		
Bad Debt	35,000		
Trademark	25,000		
Fine and Penalty	30,000		
Audit Fee	60,000		
Legal Expenses	40,000		
Loss on Embezzlement	30,000		
Income Tax	25,000		

Share Discount	70,000
Dividend Equalization Fund	40,000
Depreciation	70,000
Net Profit	400,000
	<u>1,695,000</u>

1,695,000

Assume that Jonesville Inc. is a public limited company and the salary expenses includes taka 20,000 paid to an employee as leave allowance and taka 25,000 as contribution to recognized provident fund; legal expenses includes taka 10,000 paid to the finders for purchasing land; tax depreciation amounts to taka 60,000; donation includes taka 30,000 paid as subscription to Dhaka Club; company has declared stock dividend of taka 1,50,000 during the year; the advertisement expenses were made for 6 years; the company donated Tk. 50,000 to a national level institution engaged in preserving the memory of liberation war and during the year, the company sold office furniture for taka 80,000. The initial cost of the furniture sold was 60,000 with written down value of taka 55,000.

Assessee: Jonesville Inc.

Assessment Year: 2024 – 2025

Status: Resident Company

Income Year: 2023 – 2024

Income from Business or Profession:

Net Profit as per Profit and Loss Account

Add: Inadmissible Expenses		Tk. 400,000
Advertisements (5/6 th)	Tk. 100,000	
Donation	80,000	
Bad Debt	35,000	
Trademark	25,000	
Fine and Penalty	30,000	
Legal Expenses	40,000	
Loss on Embezzlement	30,000	
Income Tax	25,000	
Share Discount	70,000	
Dividend Equalization Fund	40,000	
Depreciation	70,000	
Less: Expenses Admissible but not Shown: Depreciation		545,000
Less: Income received from Non-Business Heads		(60,000)
Dividend		
Gain on sale of Asset	60,000	
Add: Revenue profit on sale of asset	25,000	(85,000)
Taxable income from Business		5,000
Non-Business Income: Dividend		805,000
Capital Gain on sale of Asset	60,000	
Total Income	20,000	80,000
		<u>725,000</u>

Computation of Tax Liability

On total income except dividend and capital gain

On dividend income

On capital gain

On stock dividend

Gross Tax Liability

Less: Tax rebate of CSR Activities

Net Tax Liability

Tk. 805,000 @ 20%	Tk. 161,000
60,000 @ 20%	12,000
20,000 @ 15%	3,000
150,000 @ 10%	15,000
	<u>191,000</u>
50,000 @ 10%	5,000
	<u>Tk. 186,000</u>

Notes: (1) Gain on Sale of Furniture is taka 25,000 (taka 80,000 – taka 55,000). Capital gain amounts to taka 20,000 (taka 80,000 – taka 60,000) and revenue gain amounts to taka 5,000 (taka 25,000 – taka 20,000). (2) As advertisement expenses are incurred for 6 years, expenses for 5 years are not allowed and therefore deferred. (3) Legal expenses and donations are not allowed. (4) As the company has declared stock dividend of Tk. 150,000 and no cash dividend was declared, stock dividend is taxed @ 10%. (5) Leave allowance and contribution to RPF is allowable deductions. (6) It is not possible to compute minimum tax due to lack of information. It is assumed that the tax liability computed is more than minimum tax. (7) The company will claim 10% tax rebate for the donation to a national level institution engaged in preserving the memory of the liberation war which falls within the area of approved CSR. And the amount doesn't cross the maximum limit of Tk. 145,000 (20% of Tk. 7,25,000 or Tk. 12,00,00,000; which one is lower).



ENTERTAINMENT EXPENSE, TAXABLE INCOME AND TAX LIABILITY

From the following Profit and Loss Account for the year ended 30th June 2024 of X Ltd, determine total income and tax liability.

Directors Remuneration	46,000	Gross Profit	375,000
Salaries and Wages	100,052	Dividend Income	30,000
Contribution to Provident Fund	8,800	Share Premium	30,000
Rent and Taxes	24,500	Sundry Income	13,000
Repairs and Operating Expenses	27,300		
Electricity	17,500		
Insurance	8,000		
Legal Expenses	14,500		
Audit Fees	5,800		
Printing, Stationery & Postage	14,600		
Compensation for termination of a Staff	10,000		
Purchase of Typewriter	5,948		
Advertisement	14,200		
Entertainment	7,500		
Provision for Bad Debt	4,400		
Depreciation	46,600		
Net Profit	92,300		
	<u>448,000</u>		<u>448,000</u>

Other Information. Rent and Taxes included VAT of taka 4,200 which was paid for importing a machine and it was not used during the relevant year; Legal expenses included a sum of taka 10,000 spent for income tax appeal; The company is a trading company; Provident fund is recognized by the income tax authority; Bad debt written off previously was recovered during the year taka 2,000; Allowable depreciation taka 58,400; Repairs and operating expenses included taka 6,000 spent for the installation of a second hand air conditioner in the flat of MD; Entertainment expenses included a sum of taka 2,000 for which no clear explanation was available; and the company is not registered in the stock exchange.

(CMA adapted)

Assessee: X Ltd.	Status: Resident Company
Assessment Year: 2024 – 2025	Income Year: 2023 – 2024

Income from Business or Profession:

Net Profit as per Profit and Loss Account Tk. 92,300

Add: Inadmissible Expenses		
Rent & Taxes (to the extent of VAT)	Tk. 4,200	
Purchase of Typewriter	5,948	
Provision for Bad Debt	4,400	
Repairs and Operating Expenses	6,000	
Entertainment Expenses – unexplained	2,000	
Entertainment Expenses - remaining	5,500	
Depreciation	46,600	74,648
Less: Expenses Admissible but not Shown: Depreciation		(58,400)
Add: Income not Credited to P/L Account: Bad Debt Recovered		2,000
		110,348
Less: Income received from Non-Business Heads		
Dividend	30,000	
Share Premium	30,000	60,000
Income from business before entertainment expense		50,348
Less: Entertainment expense		2,022
Income from business after entertainment expense		48,326
Add: Non-Business Income: Dividend		30,000
Total Income		78,326

Computation of Tax Liability

Tax on total income excluding dividend (27.50% of Tk. 48,326)	Tk. 13,345
Tax on dividend (20% of taka 30,000)	6,000
Gross Tax Liability	19,345

Minimum Tax: It is not possible to compute minimum tax due to lack of information. It is assumed that the tax liability computed is more than minimum tax.

Note: Determination of admissible entertainment expense: net profit before charging entertainment expenses is Tk. 50,348. Thus, admissible entertainment allowance: (4% of taka 50,348) Tk. 2,022.



TAXABLE INCOME, NON-BUSINESS INCOME, GAIN ON SALE OF ASSETS

The Income Statement of Fareast Enterprise Limited for the year ended 30th June 2024 follows. Determine the Taxable Income and tax should be paid by the Company.

Sales	Tk. 2,00,00,000	
Less: Cost of Goods Sold	27,00,000	
Gross Profit		Tk. 1,73,00,000
Less: Selling and Administrative Expenses		
Printing and Stationary	3,00,000	
Office Expenses	15,00,000	
Salaries	25,40,000	
Travelling Expenses	6,60,000	
Audit fees	5,00,000	
Legal Expenses for Income Tax Return	2,40,000	
Repairs for residential houses of Employees	3,30,000	
Compensation to the families of the staff	3,10,000	
Robbery of Cash	4,60,000	
Bad Debt provision	5,00,000	
Commission	2,60,000	
Renewal Charges for Trademark Registration	2,00,000	
Bonus to Staff - Cash	8,00,000	
Bonus to Staff - Bonus Share	6,00,000	
Managing Agent's Commission	10,00,000	1,02,00,000
		71,00,000
Add: Profit on Reissue of shares	1,20,000	
Profit on Sale of Machineries	4,80,000	
Share Premium	3,00,000	
Interest on Tax - Exempt Govt. Securities	3,00,000	
Sundry Income	9,00,000	
		21,00,000
Net Profit		92,00,000

Additional Information:

- ☐ Tax has not been deducted on printing and stationary bills.
- ☐ Salaries included Tk. 4,00,000 paid to the Retired Manager for house rent and Tk. 6,00,000 contribution to the Pension Fund.
- ☐ Compensation to the family of a staff included Tk. 1,00,000 paid for a peon who was injured in a road accident while bringing breakfast for the manager and Tk. 2,10,000 paid for the termination of a certain employee.
- ☐ Bad Debt Tk. 80,000 and Tk. 60,000 provision for the last year were written off.
- ☐ Commission paid to a certain Staff Tk. 3,000.
- ☐ The sold machine was purchased six years ago and its book value was Tk. 2,00,000 but its book value as per Income Tax Rule was zero. The cost price of the machine was Tk. 10,00,000.

Bangladesh Income Tax - Theory and Practice

Assessee: Farast Interpipe Limited	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Net Profit as per Profit and Loss Account		Tk. 9,200,000
Add: Inadmissible expenses	Tk. 300,000	
Printing and Stationary Expenses	560,000	
Bad Debt Provision (5,00,000 - 60,000)	460,000	1,320,000
Robbers of Cash		
Less: Non-business income	120,000	
Profit on Resale of Shares	480,000	
Profit on Sale of machine	300,000	(900,000)
Share Premium		(80,000)
Less: Admissible expenses: Bad Debt Written off	680,000	
Add: Business income on sale of Machineries		10,220,000
Income from Business		
Total Income		10,220,000
Income from Business		
Interest on Tax-free Govt. Security (Fully Exempted)		-
Total Income		10,220,000

Computation of Tax Liability

Tax on Total Income Tk. 10,220,000 @ 27.50% Tk. 2,810,500.

Notes: (1) Tax has not been deducted at source and therefore it is considered as inadmissible. (2) House Rent paid to the Retired Manager and Contribution to the Pension Fund are admissible expenses for the company. (3) Compensation paid for the injury of a peon and termination of a certain employee is admissible expense. (4) Commission paid to a certain staff is considered as business expense and as such it is admissible. (5) All other expenses charged as administrative and selling expenses have been assumed as business expenses. (6) Robbery of cash has been assumed as done by the stranger during the office period and as such it is inadmissible. (7) Profit on Sale of Machineries has been considered as business profit. (8) Capital Gain on Sale of Machine:

Sale Value (2,00,000 - 4,80,000)	680,000
Original Cost	1,000,000
Capital Gain	Nil
Revenue Gain Business Income from Sale of Machine:	
Sale Value	680,000
Book Value	Nil
Total gain (This is also the Business Income or Revenue Gain as capital gain is zero)	680,000



OVERSEAS TRADING LIABILITY, INADMISSIBLE CONTRIBUTION

The Income Statement for the year ended 30th June 2024 of SB Tel Limited shows a net profit of Tk. 461,500. Compute Income and Tax Liability of SB Tel Limited for the Assessment Year 2024-25. Other Information of profit & tax are given below:

- ☐ During the year the company sold some of its supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of Tk.

87,500 as the expiry period is very close and charged such loss against current years' profit

- ☐ The company has a trading liability with one overseas company to the tune of Tk. 20,000 which has been totally waived by the overseas company under special agreement during the year
- ☐ Rent and Taxes amounting to Tk. 122,500. This expense included VAT of Tk. 21,000 which was paid for importing a machine and it was not used during the relevant year.
- ☐ Provision of Tk. 22,000 for bad debt was charged in the profit and loss account.
- ☐ Legal expenses included a sum of Tk. 50,000 spent for income tax appeal.
- ☐ The company contributed Tk. 44,000 to provident fund which has been recognized by the income tax authority.
- ☐ The company recovered Tk. 10,000 from bad debt that was written off earlier and was allowed. The amount so recovered was credited to sundry debtors account.
- ☐ Depreciation charged in the accounts is Tk. 233,000. Allowable depreciation is Tk. 292,000.
- ☐ Repairs and operating expenses amounts to Tk. 136,500 which includes Tk. 30,000 spent for the installation of a second hand air conditioner in the flat of MD.
- ☐ Sum of Tk. 37,500 was paid to an institution for scientific research which is not approved by NBR.
- ☐ The company purchased a computer for Tk. 29,740 which was charged as an expense in the profit and loss account.
- ☐ Net profit includes dividend income of Tk. 150,000 and share premium of Tk. 150,000.

(CMA Adapted)

Assessee: SB Tel Limited	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
Income from Business		
Net income as per Income Statement		Tk. 461,500
Add: Inadmissible expenses		
Rent and Taxes (to the extent of VAT)	Tk. 21,000	
Computer	29,740	
Provision for Bad Debt	22,000	
Repairs and Operating Expenses	30,000	
Amount paid for conducting scientific research	37,500	
Depreciation	233,000	373,240
Less: Expenses Admissible but not shown: Depreciation		(292,000)
Add: Income not credited to Income Statement		
Waiver of a trading liability	20,000	
Bad Debt Recovered	10,000	30,000
Less: Income received from Non-Business Head		
Dividend	150,000	

Share Premium	150,000	(300,000)
Taxable income from Business		272,740
Non-business income: Dividend income		150,000
Total Income		Tk. 422,740

Computation of Tax Liability

On total income except dividend	Tk. 272,740 @ 27.50%	Tk. 75,004
On dividend income	Tk. 150,000 @ 20%	30,000
Total Tax		Tk. 105,004

Notes: (1) Loss on sale of supplies is an allowable deduction as such supplies does not fall under capital asset (2) As the company received waiver of a trading liability during the year, it should be shown as deemed income of the year. (3) Sum of taka 37,500 paid to an institution for scientific research which is not approved by NBR.

**INTRA GROUP EXPENSES, PERQUISITES, TECHNICAL KNOW-HOW FEE**

Compute tax liability of Bayer Cropscience, a Multinational Company, doing business in Bangladesh for last 10 years. The Company filed return of income for the assessment year 2024-2025 showing income of Tk. 46,000,000. Examination of the audited statement of accounts filed with the return of income revealed the following.

- ☐ During the year the company received dividend amounting to Tk. 220,000 against the share of a private limited company it purchased. The dividend is included in net profit. Tax was not deducted at source.
- ☐ Salary includes Tk. 840,000 paid to employees without charging TDS. Annual perquisites enjoyed by MD and CFO amounts to Tk. 2,050,000.
- ☐ The company sold a scientific apparatus for Tk. 600,000 which was allowed earlier as expenditure against calculation of profit.
- ☐ The company has a trading liability with one overseas company to the tune of Tk. 180,000 which has been totally waived by the overseas company under special agreement during the year.
- ☐ During the year the company claimed the following expenses:

Head Office expenses (paid to Group HQ, Hong Kong)	Tk. 30,00,000
Management expenses (Paid to Thailand PQH)	19,00,000
- ☐ Royalty paid Tk. 1,300,000.
- ☐ During the year the company also paid the following expenses:

Fees for technical services	Tk. 16,50,000
Technical know-how fee	8,75,000
- ☐ Annual depreciation charged to the account is taka 2,350,000 but tax depreciation amounts to taka 2,100,000
- ☐ The company recovered Tk. 120,000 from bad debt that was written off earlier and allowed as deduction.
- ☐ The company showed expenditure on foreign travels for holidaying and recreation of an employee and his dependents, and the amount spent was Tk.

Chapter – 19 Assessment of Company

- 400,000. The basic salary of that employee was Tk. 120,000. The travel was not oftener than once in two years.
- ☐ Tk. 15,000 has been donated to a non-recognized school.
 - ☐ A fine of Tk. 80,000 paid for violation of customs law charged to P & L Account.
 - ☐ The Company sold a motor vehicle for Tk. 870,000. Original cost of the vehicle was Tk. 1,250,000 and the written down value was Tk. 825,000. This has not been reflected in the accounts.
 - ☐ Tk. 10,000 in respect of travelling expenses is not supported by legal vouchers.
 - ☐ Repairs and operating expenses included taka 25,000 spent for the installation of a machine in the factory.

(CMA Adapted)

Assessee: Bayer Cropscience Limited **Assessment Year:** 2024 - 2025 **Income Year:** 2023 - 2024

Income from Business

Net Profit as per Profit and Loss Account

Add: Inadmissible expenses		Tk. 46,000,000
Salary (section 55)		
Head office expense		Tk. 330,000
Intra group expenses	Tk. 3,000,000	
	1,900,000	
	4,900,000	
Less: Allowable (46,000,000 × 10%)	4,600,000	300,000
Perquisites to MD and CFO	2,050,000	
Less: Allowable (1,000,000 × 2)	2,000,000	50,000
Fine for violation of customs law		80,000
Donation to non-recognized school		15,000
Royalty paid	1,300,000	
Fees for technical services	1,650,000	
Technical know-how fee	875,000	
	3,825,000	
Less: Allowable (46,000,000 × 10%)	4,600,000	0
Legal expenses		10,000
Depreciation		2,350,000
Repairs and Operating expenses	25,000	
Add: Not credited to P&L Account		3,160,000
Recovery of bad debt which was written off earlier	120,000	
Gain on sale of Motor Vehicle	45,000	
Waver of trading liability	180,000	345,000
Less: Expenses Admissible but not Shown: Depreciation		(2,100,000)
Add: Sale of scientific apparatus		600,000
Less: Income received from Non-Business Head: Dividend		(220,000)
Income from Business		47,785,000
Add: Non-business income: Dividend income		220,000
Total Income		48,005,000

Computation of Tax Liability

Particulars	Gross Income	Tax Rate	Amount of Tax
Total income except dividend	Tk. 47,785,000	27.50%	Tk. 13,140,875
Dividend Income	220,000	20%	44,000
Total Tax			13,184,875

SALARY, GRATUITY, MEETING FEES, TRAVEL EXPENSE, SIMPLE INTEREST

The following adjusted accounts appeared in the records of ABC Ltd. for the year ended December 31, 2023. Compute the total income and the total income tax of ABC Ltd. In doing so, any non-compliance of the relevant provisions of the tax laws (income tax as well as VAT) by the company are to be considered strictly following the legal provisions for such non-compliances. If considered necessary, you may make assumptions in the light of the relevant tax provisions. (CMA Adapted)

Revenues and Gains:

	Ref
Net sales	126,500,000
Interest	1,000,000 (1)
Gain on sale of shares	2,500,000 (2)
	1,30,000,000

Costs and Expenses:

Cost of goods sold	65,300,000
Salaries and wages	26,000,000 (3)
Security services	300,000 (4)
Audit and taxation services	500,000
Office rent	600,000
Donations	1,800,000 (5)
Board meeting attendance fee	300,000 (6)
Other expenses	3,000,000 (7)
Depreciation	8,000,000 (8)
Corporate income tax	4,500,000 (9)
	110,300,000
Net profit	19,700,000
Dividends paid	9,000,000 (10)

Additional Information

- Interest revenue comprises interest on government bonds issued in 2015 and purchased by ABC Ltd. in 2018.
- Gain on sale of shares arose from the shares of a company listed with DSE and CSE: Bought in 2015 cost Tk. 12 lac and sold in 2023 for Tk. 37 lac.
- Salaries and wages include inter alia salary of Finance Manager Tk. 6,00,000 (consolidated) paid in cash (not by cheque or bank transfer), gratuity (unapproved) provision of Tk. 15,00,000 and gratuity payment of Tk. 10,00,000.

- Security services include payments to a private security company. No VAT was deducted at source from such payments.
- Donations were all paid in 2023 to ICMAB, specially designated for the purchase of library books, computers, and training materials.
- No income tax and VAT was deducted at source from Board meeting attendance fee paid to 10 (ten) directors.
- Other expenses include inter alia:
 - Entertainment expenses of Tk. 5,00,000 spent on MD's birthday party; and
 - Four foreign travels of MD, each costing Tk. 2,00,000. All foreign trips were for business purposes.
- ABC Ltd. has always used written down value depreciation and same depreciation rates for both accounts and tax purposes.
- Corporate income tax is the amount estimated before preparation of the tax return. 60% of the estimated amount of tax has been paid as advance tax during the year 2022.
- Dividend has been paid at the rate of 25%.

The company has a capital loss of Tk. 10,00,000 carried forward from the assessment year 2021-2022. ABC Ltd. is a publicly traded company.

Assessee: ABC Ltd.	Assessment Year: 2024 - 2025	Income Year ended on December 2023
Net profit as per accounts		Tk. 19,700,000
Less: Income considered separately		
(a) Interest	Tk. 1,000,000	
(b) Capital gain on sale of shares of listed companies	2,500,000	(3,500,000)
Add: Inadmissible Expenses		
Salary and wages		
(a) Salary of finance Manager Tk. 6,00,000 disallowed as per section 55 being paid in cash not by crossed cheque of bank transfer		600,000
(b) No gratuity provision, i.e., Tk. 15,00,000, is allowable		1,500,000
(c) Gratuity Tk. 10,00,000 disallowed being not Approved by the NBR		1,000,000
Security service		
Disallowed fully as VAT was not deducted at source		300,000
Donation.		
Disallowed fully as it is not allowable business expenditure. Moreover, donation was made to ICMAB which is not approved Institution of NBR. So, it will not be considered for CSR also.		180,000
Board Meeting Attendance Fee		
TDS not applicable but VDS is applicable on Board meetings attendance fee. As VAT was not deducted at source from this expense, it is thus disallowed.		300,000
Other Expenses		
(a) Entertainment expense of Tk. 5,00,000 spent on MD's birthday party which is personal expenditure, and no such expense is allowable		500,000

- (b) Foreign travel for business purpose Tk. 8,00,000. It is allowable u/s 55 up to 0.5% of the disclosed turnover which is Tk. 126,500,000 \times 0.5% = Tk. 6,32,500.

Corporate Income Tax

Tax is not allowable expenditure. So disallowed income tax fully

Income for Business

Income from Financial Assets

Capital Gain

Capital Gain from sales of Shares of Listed Co.

Less: Capital loss of Tk. 10,00,000 for the A/Y 2020-2021

Carried forward for set off (Tk. 10,00,000)

Total Income

Computation of Tax Liability

Tax on income other than Capital Gain @ 20%

Tk. 2,77,47,500 - 15,00,000 = 2,62,47,500 \times 20%

Tax on Capital Gain @ 10% - Tk. 15,00,000 \times 10%

Add: Simple Interest for non-payment of adequate advance tax u/s 162: Tk. 53,99,500 \times 75% = Tk. 4,049,625 less: advance tax paid (45,00,000 \times 60%) Tk. 2,700,000 =

Tk. 1,349,625 @ 10% for 2 years, assuming it was not paid u/s 64 for 2 years.

(1st April 2021 - 31st March 2023) (Assumed date of assessment is 31.03.23)

Less: Advanced Tax paid (60% of Tk. 45,00,000)

Net Tax Payable

Test of minimum tax: 0.60% of Gross receipt of Tk. 13,00,00,000 = 780,000 which is lower than tax at normal tax rate. So net tax payable will be Tk. 2,429,575.

INCOME FROM HOUSE PROPERTY, CAPITAL GAIN, INADMISSIBLE EXPENSES

Paradise Corporation Limited is a private company, engaged in the business of ceramic and leather products. For the year ended 30.06.2024, net profit of the company is reported as Tk. 35,000,000 after giving effect of the following items. Compute total income of Paradise Corporation Limited for Assessment Year 2024-2025. (CMA Adapted)

- ☐ License fee Tk. 1,200,000 incurred for obtaining six-year franchisee.
- ☐ Rent Tk. 500,000 received from letting out factory premises. Municipal tax in respect of the said factory premises amounts to Tk. 20,000.
- ☐ Tk. 2,000,000 and 250,000 being amounts waived by Agrani Bank Limited out of principal and arrear interest respectively. The loan was taken five years ago.
- ☐ Dividend of Tk. 500,000 from Popular Pharmaceuticals Limited on 50,000 equity shares of Tk. 10 each purchased at Tk. 120 per share on 03 November 2021. Dividend declared is 100%, the record date being 23.12.2022. Shares were sold

on 06.04.2022 at Tk. 110 per share. Loss of Tk. 500,000 has been debited to P&L Account.

- ☐ Depreciation of tangible fixed assets Tk. 200,000. However, depreciation on tangible fixed assets as per tax rules is Tk. 350,000.
- ☐ Tk. 250,000 compensation paid to UK supplier for cancellation of machinery import contract from UK.
- ☐ Provision for deferred tax Tk. 150,000.

Assessee: Paradise Corporation Limited Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Income from Business

Net Profit as per Profit and Loss Account

Tk. 35,000,000

Less: Income for consideration at separate head:

Rental income

Tk. 500,000

Waiver of interest by bank

250,000

(750,000)

Add: Inadmissible expenses:

License fee for franchisee

1,200,000

Depreciation

200,000

Compensation Paid to UK Suppliers

250,000

Provision for Deferred Taxes

150,000

1,800,000

Less: Admissible expenses:

Amortization on License fees

200,000

Depreciation

350,000

(550,000)

Income from Business

35,500,000

Income from Rent

Annual value from premises retail

500,000

Less: Repair and Maintenance (30% of Tk. 500,000)

(150,000)

Municipal tax

(20,000)

330,000

Income from Financial Assets

Dividend from Popular Pharmaceuticals Limited

500,000

Total Income excluding capital gain

36,330,000

Capital Gain

Proceeds from Sale of Share (50,000 \times 110)

5,500,000

Less: Cost of Acquisition (50,000 \times 120)

6,000,000

Capital Gain

(500,000)

CAPITAL GAIN, INADMISSIBLE EXPENSES, BAD DEBT RECOVERED

For the year ended on June 30, 2024, Cassiopeia Limited reports net profit of Tk. 11,932,000 with a turnover of Tk. 60,000,000. A scrutiny of its books of accounts reveals the following facts. Compute total income and tax liability of the company for the concerned tax year.

12. Gain on sale of equipment:	Tk. 550,000	
Sale proceeds of the equipment	500,000	
Cost of the equipment		Tk. 50,000
Capital Gain	500,000	
Cost of the equipment	400,000	
Less: Written down value (5,00,000 - 1,00,000)		Tk. 100,000
Income from Business		

CSR, STOCK DIVIDEND, EXCESS RESERVE, MINIMUM TAX

The following accounts appeared in the V Limited, a non-publicly traded company established in 2020, for the year ended on December 31, 2023 (amounts are in '000). Compute total taxable income and tax liability for the assessment year 2024-2025:

Cost of Goods Sold	Tk. 70,000	Net Sales	Tk. 120,000
Salaries and wages	20,000	Interest	1,000
Interest on loan	13,750	Dividend	2,500
Free sample distribution	550	Gain on sale of land	2,000
Provision for bad debt	500	Gain on Sale of Share	1,500
Supplies expense	600	Bad debt recovery	12,500
Bad debt	600	Gain on Sale of Machine	500
Rent Expense	10,000		
Repair expenses	2,000		
Commission	600		
Audit fee	200		
Depreciation	3,000		
Royalty	600		
Donation	800		
Travel Expense	3,200		
Sales Promotion	700		
Entertainment	300		
Miscellaneous exp	200		
Insurance exp	5,000		
Corporate income Tax	1,400		
Net profit	6,000		
	<u>140,000</u>		<u>140,000</u>

Additional Information:

- ☐ Salaries and allowances include the following items:
 - Perquisites: CEO 10,50,000; CFO 9,00,000; Chief Research Advisor (Person with disability) 12,00,000.
 - incentive bonus of Tk. 700,000
 - Salaries includes Tk. 300,000 paid in cash to purchase manager.
 - Salaries include arrear salary Tk. 300,000.

- ☐ Allowable depreciation as per Schedule 3: Tk. 25,00,000
- ☐ Donation was made half to BUET and the other half to a private university.
- ☐ Half of the travel expense is related to overseas travel. The company showed expenditure on foreign travels for holidaying and recreation of the CEO and CFO as follows:
 - CEO: Travel Allowance Tk. 10,00,000; Annual Basic salary Tk. 2,400,000; Actual expense Tk. 1,000,000;
 - CFO: Travel Allowance Tk. 6,00,000; Annual Basic salary Tk. 1,600,000; Actual expense Tk. 600,000;
- ☐ 10% of the rent expense paid in cash.
- ☐ The company sold machine for Tk. 1,000,000; Total cost 900,000; Accumulated depreciation Tk. 400,000.
- ☐ The company declared Tk. 2,000,000 and Tk. 5,000,000 as cash and stock dividend respectively for the year.
- ☐ Miscellaneous Expense includes Tk. 1,000,000 as annual subscription to FBCCL.
- ☐ During the year 80 percent of the net profit has been transferred to general reserve.
- ☐ It has been identified that the company appointed one foreign food safety advisor without taking proper approval from concerned authority.
- ☐ For simplicity, assume total TDS and Advance Tax Amount is Tk. 1,000,000

Assessee: V Limited

Assessment Year: 2024 - 2025

Income Year ended on 31st December 2023

Income from Business

Net profit as per Income Statement		Tk. 60,00,000
Less: Income considered separately		
Interest	Tk. 10,00,000	
Dividend	25,00,000	
Gain on sale of land	20,00,000	
Gain on Sale of Share	15,00,000	
Gain on Sale of Machine	5,00,000	(75,00,000)
Add: Expenses considered separately		
Depreciation		30,00,000
Add: Special Sources of Income from Business (U/s- 46)		
Gain on Sale of Machine	4,00,000	4,00,000
Add: Expenses disallowed		
Salary (1)	5,50,000	
Free Sample distribution (2)	4,30,000	
Provision for bad debt	5,00,000	
Rent Expense	10,00,000	
Donation to BUET	4,00,000	
Entertainment expense	3,00,000	
Travel Expense (4)	10,00,000	

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	1,00,000	
	<u>14,00,000</u>	56,80,000
Sales Promotion (5)		
Corporate income Tax		(25,00,000)
Less: Expenses allowed		50,80,000
Depreciation		<u>121,600</u>
Income from business before entertainment expense		49,58,400
Less: Entertainment expense		
Income from business after entertainment expense		
Non-Business Income	20,00,000	
Capital Gain:	15,00,000	
Gain on sale of land	1,00,000	36,00,000
Gain on Sale of Share		
Gain on sale of Machine		
Income from other sources:	10,00,000	
Interest	<u>25,00,000</u>	35,00,000
Dividend		<u>1,20,58,400</u>
Total Income		

Computation of Tax Liability

On total income excluding capital gain & dividend on which special tax rate is applicable (1,20,58,400 -

which special tax rate is applicable (1,20,58,400	Tk. 49,58,400 @ 27.50%	Tk. 13,63,560
36,00,000 - 25,00,000)	21,00,000 @ 15.00%	3,15,000
Capital gain on land & machine	15,00,000 @ 10.00%	1,50,000
Capital gain on share (SRO)	25,00,000 @ 20.00%	5,00,000
Dividend	<u>1,22,34,000</u>	<u>23,28,560</u>
Gross Tax Liability		40,000
Less: Tax rebate for CSR Exp. (8)		<u>22,88,560</u>
Net Tax Liability		8,40,000
Minimum Tax (On gross receipts)	14,00,00,000 @ 0.60%	<u>22,88,560</u>
Applicable Net Tax Liability		11,44,280
Add: Additional Tax u/s 19		5,00,000
Add: Tax for stock dividend u/s 23		<u>4,80,000</u>
Add: Tax for excess reserve transfer u/s 22		44,12,840
Total Tax Liability for the year		<u>10,00,000</u>
Less: TDS & Advance Tax		<u>34,12,840</u>
Net amount to be paid		

Notes:

- Inadmissible portion of perquisite u/s 55(d) [50,000 + 200,000] 250,000
Cash salary 300,000
550,000
- Free sample distribution: Inadmissible portion [550,000 - (120 million × 0.10%)] 430,000
- Inadmissible portion of royalty [600,000 - (60,00,000 × 10%)] Nil
- Inadmissible portion of overseas travels u/s 55(g) [16 lac - (120 million × 0.50%)] 1,000,000

- Inadmissible portion of sales promotion [7,00,000 - (12,00,00,000 × 0.50%)] 100,000
- Admissible Entertainment Expense [(10,00,000 × 4%) + (40,80,000 × 2%)] 121,600
- Total gain on sale of machine [Sales - WDV = 10,00,000 - 5,00,000] 500,000
- Capital gain [Sales - Cost = 1,000,000 - 900,000] 100,000
- Revenue gain [500,000 - 100,000] 400,000
- Rebate on CSR Expense [10% of eligible amount: (lower of i, ii, and 12 crore)] 40,000
- (i) Actual CSR Exp (Donation to BUET) 400,000
(ii) 20% of Total Income (1,20,58,400 × 20%) 2,411,680
- Additional Tax for appointing foreign national without taking approval (U/s-19): 500,000
10% of stock dividend amount (5,000,000 × 10%)
- Additional Tax for issuing more than 70% of the profit to reserve/Ret. Earnings (U/s-22): 480,000
10% of transferred amount to reserve (4,800,000 × 10%)

ASSESSMENT: BANKS

SPECIAL NOTE

As per sections 46(11), 46(12), 47, Fourth Schedule and Fifth Schedule of Income Tax Act 2023, there are some special types of business-like bank, insurance, leasing and like nature due to their typical nature of operation, where some special considerations are necessary for computing taxable income.

Banks may have earnings from different sources, say:

- ☐ Income from business; and
- ☐ Income from financial assets.

In this appendix, we will discuss only the income of banks from business in line with the scope of this chapter. To assess the income of a bank, some special points are required to be considered carefully.

- ☐ Bad debt expense for bank and financial institutions will be allowable for deduction [U/s-51(2)], if,
 - Bad debt or a part thereof is confirmed as uncollectible as per International Accounting Standards and Banks and Financial Institutions in operation in Bangladesh and written-off in the books of accounts as uncollectible.
 - Logical actions have been taken to collect bad debt prior to write-off.
 - Bad debt or a part thereof has been considered as income in any year while calculating income.
- ☐ In the case of calculating income of any financial institutions, the income by way of interest in relation to such categories of bad and doubtful debt as the Bangladesh Bank may classify, shall be taxed in the income year in which it is credited to the profit and loss account or in the income year in which it is actually received, whichever is earlier. [Sec 46(11)]



PROVISION FOR BAD DEBT, ENTERTAINMENT EXPENSE, TAX LIABILITY

ABC Bank Ltd., a bank incorporated in Bangladesh, has submitted the following audited income statement showing profit before tax of TK 258,000 for the income year 2023-24. You have been provided with the notes supporting the figures to compute the tax liability of the bank for the respective assessment year:

Interest Income	Tk. 650,000
Interest Paid on Deposits & Borrowings etc.	200,000
Net Interest Income	450,000
Income from investments	100,000
Commission, Exchange and Brokerage	60,000
Other Operating Income (20+61)	81,000
Total Operating Income (A)	691,000

Less: Operating Expenses	Tk. 215,000
Payment to Employees	5,000
Postage and Telegrams	11,000
Rent, Rates & Insurance, etc.	2,000
Legal Charges	2,000
Directors' Fees	1,000
Auditors' Fees	60,000
Repairs to Premises	72,000
Stationery, Printing and Advertisements	3,000
Stamps	5,000
Charges on Loan Losses	15,000
Other Expenses of Business	391,000
Total Operating Expenses (B)	300,000
Profit / (Loss) before Provision (C=A-B)	391,000

Provisions:	
Specific Provision	12,000
General Provision	30,000
Total Provision (D)	42,000
Total Profit / (Loss) before Taxes (C-D)	258,000

Supporting Information:

- ☐ Accounting depreciation charged was Tk. 50,000 whereas tax depreciation is Tk. 80,000.
- ☐ Inadmissible expenses have been found as follows:

Perquisites	Tk. 50,000
Printing and Advertisement (capital nature)	40,000
Other expenses (tax is not deducted at sources)	10,000
- ☐ Balance Sheet (extract):

Paid up Capital	Tk. 2,000,000
Statutory Reserve	750,000
Retained Earnings	250,000
Dividend Equalization Fund	200,000

- ☐ Classification of Loans and Advances:

Unclassified	Tk. 2,100,000
Sub-standard	850,000
Doubtful	1,145,000
Bad/Loss	10,250,000
- ☐ Entertainment Expenses amounts to Tk. 65,000 for the period.

Solution

ABC Bank Limited
Assessment Year: 2024 - 2025
Computation of Taxable Income and Tax Liability

Net Profit as per audited accounts	Tk. 258,000
Less: Income considered separately	
Income from Investment	100,000
	158,000
Add: Expenses considered separately	
Accounting Depreciation	Tk. 50,000
Provision for Bad and Doubtful Debt	42,000
Entertainment Expenses	65,000
	157,000
	315,000
Add: Expenses disallowed	
Perquisites	50,000
Printing and Advertisement	40,000
Other Expenses	10,000
	100,000
	415,000
Less: Expenses allowed	
Tax Depreciation	80,000
Provision for Bad and Doubtful Debt (Note 1)	42,000
	122,000
	293,000
Add: Income from Investments	100,000
Income from business before entertainment expense	393,000
Less: Entertainment Expenses (Note 2)	15,720
Income from business after entertainment expense	377,280

Calculation of Tax Liability

Tk. 377,280 @ 40% = Tk. 150,912

Notes:

- Total loans outstanding irrespective of classifications amounted to Tk. 14,345,000. Thus, 1% of the loan amounts to 143,450. But actual provision made amounts to Tk. 42,000 which is less and therefore allowed.
- The rate for allowable entertainment expenses is 4% on income of first Tk. 1,000,000 and 2% on rest, if any. Thus, in this case entertainment expense will be: 4% of Tk. 393,000 = Tk. 15,720



CAPITAL GAIN, INADMISSIBLE EXPENSES, DISALLOWANCES

From the following Profit & Loss Account of Oman Bank, a non-resident bank, for the year ended on 31/12/2023, compute total taxable income and tax liability:

Salaries and allowances	20,00,000	Interest and commission	1,20,00,000
Interest on deposit	40,00,000	Gain from sale of old car	10,00,000
Car maintenance	5,00,000		
Head office expenses (as per allocation by head office)	3,00,000		
Bad debt	6,00,000		
Provision for bad debt	4,00,000		
Audit fee	2,00,000		
Depreciation	15,00,000		
Technical fee	1,00,000		
Scholarship to poor students	8,00,000		
Special reserve	2,00,000		
Advertisement	7,00,000		
Entertainment	8,00,000		
Traveling	500,000		
Net profit	400,000		
	<u>13,00,000</u>		<u>13,00,000</u>

Additional Information

- ☐ Salaries and allowances include incentive bonus to employees Tk. 3,00,000.
- ☐ VAT at source was not deducted from car workshop bill of Tk. 2,00,000.
- ☐ Provision for bad debt is within 1% of classified loan.
- ☐ Tax depreciation as per tax law is Tk. 10,00,000.
- ☐ Advertisement bill paid to advertisement agency for periodic advertisement to private TV channel. No tax at source was deducted from the bill because agent submitted their bill without any break-up of commission.
- ☐ The car sold was purchased 5 years ago at Tk. 50 lac and its book value (consider as written down value per tax law) was Tk.25 lac at the time of sale at Tk.35 lac
- ☐ Travelling includes Tk. 50,000 with the country and Tk. 450,000 outside the country (including head office tour).

(CMA Adapted)

Assessee: Oman Bank **Assessment Year:** 2024 – 2025 **Income Year ended on** 31st December 2023

A. Income from Business:

Net profit as per profit and loss account	400,000
Less: capital gain from sale of car (separate head of Income)	<u>1,00,000</u>
Shown Business Loss	600,000
Add: Expenses considered separately	
Depreciation (accounting)	1,50,000
Entertainment	800,000
Head office expense	<u>300,000</u>

Technical fee	100,000
Overseas Travelling	<u>450,000</u>
	3,150,000
	<u>2,550,000</u>

Add: Inadmissible Expenses

- **Car workshop Bill Payment:** Out of total car maintenance of Tk. 5,00,000, car workshop bill payment was Tk. 2,00,000 where from no VAT at source was deducted. The Items from where VAT is to be deducted Car workshop Bill payment is one of them. So, for non-deduction of VAT at source, Car workshop bill payment is disallowed. 200,000
- **Provision for bad debt:** Provision for bad debt was allowable expenditure for banking companies up to assessment year 2006-07. As there is no such provision for the year under consideration, so disallowed fully 400,000
- **Scholarship to poor students:** As it is not business-related expenditure so disallowed fully. 10% rebate facility is applicable in case of CSR if it is disbursed through Govt. approved educational institution and also fulfillment of other conditions. As no such information is given, the bank will not be entitled to get 10% rebate facility 800,000
- **Special Reserve:** Reserve is not an item of P & L. Moreover, there is no information about the nature of such reserve and whether it is Govt. approved or not. So disallowed fully 200,000

Less: Tax Depreciation (as per 3 rd schedule)	1,00,000
Overseas travelling 0.50% of disclosed turnover Tk.12 million	<u>60,000</u>
	(1,060,000)

Less: Allowable expenses

- **Head office Exp.:** 10% of disclosed business income Tk. 400,000 = 40,000 (40,000)
- **Technical fee:** 10% of 4,00,000 = Tk. 40,000 (40,000)

Income from Business before entertainment expense	3,010,000
Less: Entertainment expense: on first Tk. 10 lac @ 4% plus on the balance Tk. 20,10,000 lac @ 2%	<u>80,200</u>
Income from Business after entertainment expense	2,929,800

B. Capital Gain

Capital Gain from sale of car shown Tk. 10,00,000. As there is no information regarding the WDV, purchase price, sales price etc. gain as per tax law is not possible to calculate. So is assume that the car purchased and sold in the same year so that there is no question of deprecation, and if that is no depreciation then there is question of revenue gain from sale of car in addition to capital gain. Thus, the capital shown by the bank is accepted

Total Income	<u>1,000,000</u>
	<u>3,929,800</u>

Computation of Tax Liability

On total income excluding capital gain Tk. 2,929,800 @ 40%	1,171,920
On capital gain Tk.1,000,000 @ 15%	<u>150,000</u>
Tax liability	<u>1,321,920</u>

ASSESSMENT: PHARMACEUTICALS

SPECIAL NOTE

In assessment of pharmaceutical companies, special provision is mentioned only for free sample distribution [section 55(i)] as mentioned below:

Business Turnover (taka)	Pharmaceutical Industries
Up to 5 crore	2.00%
5 to 10 crore	1.00%
Above 10 crore	0.50%

All other rules are applied similarly as applicable for other companies.

EXPORT QUOTA, TRADING LIABILITY, ENTERTAINMENT, INADMISSIBLE EXP.

The profit and loss account of Care Pharmaceuticals for the year ended on June 30, 2023, reports net income of Tk. 2,000,000. A scrutiny of accounts and supporting documents revealed the following facts. Compute the taxable income of the company for the year.

During the year the company sold some of its pharmaceutical supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of taka 150,000 as the expiry period is very close and charged such loss against current year's profit. The company recovered taka 20,000 from bad debt that was written off earlier and was allowed. The amount so recovered was credited to sundry debtor's account. The company had taka 80,000 interests due to Bangladesh Development Bank Limited in the year 2017 and such interest was shown as allowable deduction in that year. Still, such interest remains unpaid. The company has a trading liability with one overseas company to the tune of taka 150,000 which has been totally waived by the overseas company under special agreement during this year.

During the year, the company sold one equipment for taka 180,000 which was purchased at a total cost of taka 130,000 and had a written down value of taka 90,000 on the date of sale. The company reports taka 90,000 as gain on sale of equipment in the credit side of profit and loss account. Due to a sudden fire on the factory building, the extended portion of the building is totally destroyed, and compensation received from the insurance company totaled taka 250,000. In addition, the company realized an additional sum of taka 30,000 by selling the scrap. The extension was constructed at a total cost of taka 400,000 and depreciation charged to date amounts to taka 50,000.

The company sold a scientific apparatus used for scientific research for taka 80,000, which was originally purchased at taka 150,000 and fully depreciated. The sale proceed is not recorded at all.

The company have had export quota for exporting garments to EU countries. As the company has recently changed the line of operation (switched from garments manufacturing to pharmaceuticals), it transferred the export quota to another garments manufacturer for an annual sum of taka 70,000. Such income is not reported at all. The company claimed investment allowance for new machinery installed during the year costing taka 1,000,000 which is entitled to accelerated depreciation.

Bonus and commission to the field representatives at the rate of 4 months' pay taka 300,000 including 1 month's pay as festival bonus. But the general practice of bonus and commission for the similar business is 2 months' pay. Sum of taka 120,000 paid to an institution for scientific research which is not approved by NBR. Besides, sum of taka 500,000 is expensed for establishing a hospital for the benefit of employees without any charge. The company has not claimed any other deduction or allowance. Salary of taka 500,000 and rent of taka 80,000 were paid without deducting tax at source. Payment of brokerage and commission of taka 60,000 made to a non-resident without deducting tax at source. Annual perquisites enjoyed by MD, Chairman, and 5 members of BOD amounts to taka 7,800,000.

Accounting depreciation charged to the account is taka 250,000 but tax depreciation amounts to taka 300,000 excluding the amount of accelerated depreciation on machinery. Value of the free sample distributed was taka 200,000. Annual turnover during the year was taka 8,000,000. Cash salaries paid during the year is taka 80,000. Sum of taka 50,000 expended to train employees (Bangladeshi citizen) in connection with a scheme approved by the Board. The company expensed a sum of taka 200,000 for visits abroad as a member of trade delegation sponsored by the government.

Annual membership fee of Tk. 150,000 is paid to Bangladesh Pharmaceutical Society which is a professional institution recognized by the Board. Expenditure on sales promotion amounts Tk. 300,000 and Entertainment expenditure, Tk. 150,000.

Assessee: Care Pharmaceuticals Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Income from Business

Net Profit as per Profit and Loss Account		Tk. 2,000,000
Add: Inadmissible Expenses		
Excess Bonus paid to Field Representatives	Tk. 100,000	
Amount paid for conducting scientific research	120,000	
Salary and Rent paid without TDS	580,000	
Payment to Non-resident without TDS	60,000	
Excess amount of Perquisites	800,000	
Accounting Depreciation	250,000	
Entertainment Expense	150,000	
Excess cost of Free Sample	40,000	
Cash salaries paid	80,000	2,180,000

	500,000	
Less: Admissible Expenses	300,000	
Accelerated Depreciation on Machinery	70,000	(8,70,000)
Tax Depreciation (regular)		
Loss due to fire	20,000	
Add: Income not Credited to P/L Account	80,000	
Bad Debt Recovered	150,000	
Interest due to Bangladesh Development Bank Ltd.	80,000	
Waiver of a Trading Liability	70,000	
Sale proceeds of Scientific Apparatus		400,000
Receipt from transferring Export Quota		40,000
Add: Revenue Profit on Sale of Equipment		(90,000)
Less: Gain on Sale of Equipment		3,660,000
Income from business before entertainment expense		(93,200)
Less: Entertainment Allowance		3,566,800
Income from business after entertainment expense		50,000
Non-Business Income: Capital Gain		3,516,800
Total taxable Income		

Notes:

- Loss on sale of supplies is an allowable deduction as such supplies does not fall under capital asset.
- Amount of bad debt recovered will be the current year's profit and should be credited to the profit and loss account as such bad debt was allowed earlier.
- As the interest due to Bangladesh Development Bank Limited is not paid within three years, such interest will be deemed to be current year's income [U/s 46(7)].
- As the company received waiver of a trading liability during this year, it should be shown as deemed income of the year [U/s 46(8)].
- Computation Capital Gain and Revenue Gain from the sale of equipment: Sale Proceed of the asset taka 180,000; Written Down Value Tk. 90,000. So, Gain on Sale Tk. 90,000 out of which capital gain is Tk. 50,000 [sale proceeds less initial cost of the asset] and rest Tk. 40,000 is revenue gain.
- As the insurance compensation received (taka 250,000) plus scrap value is less than the amount of written down value of the building (taka 350,000), it results loss which is deductible [U/s 46(3)].
- Sale proceeds of the asset used for scientific research shall be the deemed income in the year of sale.
- The rate of accelerated depreciation on machinery for the first year is 50%.
- Calculation of amount of excess bonus paid to field representatives: allowable upto 10% of disclosed net profit, i.e., taka 200,000 (10% of taka 2,00,000). Excess amount paid is taka 100,000 (taka 300,000 - taka 200,000).
- The amount expensed for hospital is allowable deduction as it charges nothing against services from the employees and the company claims no deduction or allowance in this regard.
- Allowable perquisites to MD, Chairman, and 5 Directors will be Tk. 7,000,000 (Tk. 1,000,000 × 7). Thus, excess perquisite is taka 800,000 (taka 7,800,000 - taka 7,000,000) that is not allowed.
- The allowable rate of free sample for a pharmaceutical industry is 2% for annual turnover up to Tk. 5 crore. The turnover of the company was Tk. 80 lac and free sample allowed is Tk. 160,000 (2% of Tk. 80 lac). Thus, excess Tk. 40,000 (Tk. 200,000 - Tk. 160,000) is not allowed.
- Amount of admissible entertainment allowance: On the first Tk. 1,000,000 @ 4% and on the balance taka 2,660,000 @ 2%. So, on total income of taka 3,660,000 taka 93,200.



ALLOWABLE EXPENSES, INSURANCE COMPENSATION, MINIMUM TAX

ABC Pharmaceutical Bangladesh Ltd is a subsidiary of XYZ Ltd. headquartered in Switzerland. It has reported net income before tax Tk. 5,50,00,000 for the year ended June 30, 2024. Annual turnover of the company for the year is Tk. 1,20,00,00,000.

Other required information for the company is given below:

- ☐ Salary consists Tk. 330,000 paid to a director without deducting taxes. [sec 55(a)]
- ☐ Head office expenses charged Tk. 60,00,000; however, audit report of head office has not been supplied. [section 55(f)]
- ☐ Expenses include Tk. 11,000 penalty for non-compliance of customs act.
- ☐ Commission paid to distributor Tk. 10,00,000 without following the rules as mentioned in Section 94 of Income Tax Act 2023. [section 55(a)]
- ☐ Donated Tk. 50,000 to a boy's school.
- ☐ Salary includes Tk. 7,50,000 which is paid to home servants of Managing Director. Value of other perquisites in Tk. 10,00,000. [section 55(d)]
- ☐ It claims Tk. 33,50,000 as interest expense. Amount of unpaid loan of the company is Tk. 2,10,00,000. The company has given loan of Tk. 75,00,000 to an associated company without interest. (Section 52)
- ☐ Interest expense of Tk. 3,00,000 remains unpaid since 2019-20 assessment year which was allowable for deduction by Income Tax Authority then. [sec. 46(7)]
- ☐ The company has been waived from a trading liability of Tk. 2,00,000 within 2 years, however, it is not credited to income statement. [section 46(8)]
- ☐ Tk. 200,000 paid for consultancy services without deducting TDS. [sec 55(a)]
- ☐ During the year, the company sold machineries for Tk. 5,00,000 which was purchased for Tk. 4,00,000. As per Third Schedule of ITA 2023, the written down value of the asset was Tk. 2,00,000. Company reports Tk. 3,00,000 as income from sale of the asset in its income statement. [sections 46(2) and 58(2)]
- ☐ During the year, an extension of company building has been destroyed by fire which was acquired for Tk. 2,00,000. As per Third Schedule of ITA 2023, the accumulated depreciation of the extension was recorded as Tk. 50,000. The company received Tk. 2,50,000 as compensation from insurance company and Tk. 30,000 from scrap sales. [section 46(3)]
- ☐ The company has purchased a new machine and claimed Tk. 5,00,000 as initial depreciation allowance. [Third Schedule & Section 50(1)(b)]
- ☐ The company spend Tk. 5,00,000 to construct a hospital for providing health care services to its employees without any charge from their salaries. [section 49(1)]
- ☐ Accounting depreciation amounts Tk. 25 lac; however, tax depreciation amounts to Tk. 30,00,000 excluding initial depreciation allowance. [3rd Schedule]
- ☐ Free sample distribution, Tk. 65,00,000 [section 55(i)]
- ☐ Spend Tk. 2,00,000 for overseas travel as a member of trade delegation team sponsored by the government [section 49(s)]
- ☐ Paid annual membership fee of Tk. 1,50,000 to Bangladesh Pharmaceutical Society, which is an approved professional body by the Board. [section 49(r)]
- ☐ Paid Tk. 35,00,000 as entertainment expense [section 55(h)]

- Accounting depreciation was Tk. 7,92,127 whereas as per tax law this has been computed at Tk. 9,19,029.
- Analysis of the dividend, rent etc., revealed that an amount of Tk. 64,88,284 being interests on various bank deposits has been included therein.

Calculate tax liability of the company for the relevant assessment year.

[Adapted from ICAB Study Manual]

Assessee: Amity General Insurance Company Limited			
Assessment Year: 2024 - 2025		Income Year: 2023 - 2024	
Net profit as per accounts			Tk. 3,23,57,906
Less: Income considered separately			
Dividend	Tk. 1,32,37,745		
Interest	64,88,284	1,97,26,029	
		1,26,31,877	
Add: Inadmissible expenses			
Accounting depreciation	7,92,127		
Gratuity provision	7,79,845	15,72,022	
		1,42,03,899	
Less: Admissible expenses			
Tax depreciation	9,19,029		
Gratuity actually paid	6,25,860		
Reserve for exception losses	64,44,130	79,89,019	
Income from business		62,14,880	
Add: Income from non-business heads			
Income from other sources: Dividend income		1,32,37,745	
Income from financial assets		64,88,284	
Total income		2,59,40,909	

Computation of Tax Liability

	Income	Tax Rates	Tax Payable
Income from Business	Tk. 62,14,880	37.50%	Tk. 23,30,580
Income from Other Sources: Dividend	1,32,37,745	20.00%	26,47,549
Income from financial assets	64,88,284	37.50%	24,33,107
Total	2,59,40,909		74,11,236

Notes: (1) Dividend is taxable @ 20%; (2) Gratuity actually paid is allowed;

(3) Reserve for exceptional losses:	Current Year	Preceding Years		
	(2022)	2021	2020	2019
Premium income	12,56,07,426	13,55,80,109	13,68,87,085	13,12,12,308
Average of previous three years		13,45,59,834		
Transfer admissible - 10% of net premium income of Tk. 6,44,41,296		= Tk. 64,44,130		
Balance carried forward		= Tk. 10,83,89,850		

KEY POINTS

- As per ITA, 2023 "Company" means a company as defined in the Companies Act, 1994.
- For a Company, "Resident", in respect of any income year, means a Bangladeshi company or any other company the control and management of whose affairs is situated wholly in Bangladesh in that year [U/s 2(45)(c)].
- For company assessee, tax day is the 15th day of the 7th month following the end of the income year or the 15th day of September whichever comes later [U/s 2(23)(b)].
- Where loss is assessed in any head of income, the company is entitled to set off the loss against its income assessed in other heads of that year excluding loss on speculation business, capital gain, business and tobacco business.
- Every company assessee shall pay advance tax in four equal installments falling on 15th Sept., 15th Dec., 15th March and 15th June of each financial year if the latest assessed income exceeds Tk. six lakhs [(U/s - 155(2), 154(1))].
- Companies are required to pay minimum tax at specified rates.
- If any publicly traded company other than bank, insurance, financial institutions declare dividends at the rate more than 20%, it will enjoy 10% tax rebate on applicable tax.
- For publicly traded Bank, Insurance and Financial Institutions the applicable tax rate is 37.5%.
- Accelerated depreciation on cost of machinery is admissible for new industrial undertaking in the first three years of commercial production @ 50%, 30% and 20% respectively.
- If transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 22.50%, tax rates of few specified companies will be 2.5% higher than regular rate.

MULTIPLE CHOICE QUESTIONS

1. A resident company should fulfill the following conditions except -
 - (a) Should be a Bangladeshi company
 - (b) Management and control should be in Bangladesh
 - (c) Body corporate constituted by any law in Bangladesh
 - (d) Should be publicly traded company
2. A listed cigarette manufacturing company shall have to pay tax at the rate of -
 - (a) 22.50%
 - (b) 30%
 - (c) 40%
 - (d) 45%
3. Unabsorbed depreciation can be carried forward for -
 - (a) 6 successive assessment year
 - (b) next assessment year
 - (c) unlimited period
 - (d) no more than current year

4. Every company assessee shall pay advance tax in four equal installments falling on -
 - (a) 15th Sept., 15th Dec., 15th March & 15th June
 - (b) 15th June, 15th Sept., 15th Dec. & 15th March
 - (c) 15th March, 15th June, 15th Sept. & 15th Dec.
 - (d) 15th Dec., 15th March 15th June & 15th Sept.
5. If the amount of advance tax together with the TDS, is less than 75% of the tax payable on the basis of regular assessment, what rate of interest is leviable -
 - (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
6. Initial depreciation allowance on machinery for first year is @ -
 - (a) 25%
 - (b) 50%
 - (c) 80%
 - (d) 100%
7. Income of companies engaged in production of light engineering items is exempted from tax for a period of -
 - (a) 4 years
 - (b) 6 years
 - (c) 8 years
 - (d) 10 years
8. Listed companies are entitled to 10% tax rebate if they declare dividend @ -
 - (a) 15% and above
 - (b) 20% and above
 - (c) less than 15%
 - (d) less than 20%
9. What will be the tax rate of Teletalk Bangladesh Limited?
 - (a) 22.50%
 - (b) 30%
 - (c) 37.50%
 - (d) 45%
10. Mobile phone operator company should issue _____ share through IPO to pay tax at 40% -
 - (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Minimum tax of a company will be Tk. 5,000.
2. If a banking company states profit 50% higher than capital and reserve, it will not pay tax on excess profit.
3. The charge of additional tax is applicable @ 5%.
4. Capital gain arising out of Transfer of stocks and shares of any company registered under Companies Act, 1994 is taxed @ 15%.
5. A listed mobile phone company will pay tax @ 40%.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ19.1 What is meant by a company under ITA, 2023?
- DQ19.2 State the conditions required to be a resident company.
- DQ19.3 Discuss the implication of withholding tax and advance tax from a company perspective.
- DQ19.4 "Company enjoys a number of fiscal incentives" - explain.
- DQ19.5 State the procedure of assessment of a company.
- DQ19.6 In which situations a company can claim tax rebate and at what rate?
- DQ19.7 Cite tax rates applicable to different types of companies under Finance Act 2023.
- DQ19.8 Write short note on: ☐ Industrial Company ☐ Set off and carry forward of losses ☐ Charge of additional tax ☐ Charge of minimum tax
- DQ19.9 Define Income Tax and identify some characteristics of taxes based on your definition.

PROBLEM CASES (PC)

PC19.1: The profit and loss account ('000 Tk.) of XYZ & Co is given below for the assessment year 2024-25. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

	Tk. 1,200	Sales	Tk. 3,600
Cost of Goods Sold	500	Dividend	80
Salaries	120	Interest	30
Rent	120	Gain on sale of Asset	30
Advertisements	80	Interest on Tax-Free Securities	25
Interest on Loan	60		
Utility Expenses	150		
Charity	100		
Transportation Expenses	150		
Audit Fee	80		
Bad Debt	70		
Contribution to RPF	50		
Income Tax paid in Advance	20		
Fines paid to Customs	15		
Annual Membership	40		
Legal Expenses	35		
Insurance Premium	12		
Sundry Expenses	80		
Depreciation	213		
Net Profit	3,725		
Total			3,725

Other information:

- ☐ Salaries paid without deducting tax at sources.
- ☐ Tax depreciation amounts to taka 100,000.
- ☐ Legal expenses are paid due to the litigation against the company.
- ☐ The company has sold an asset for Tk. 100,000 that the company has purchased 4 years back at a cost of Tk. 80,000 with a written down value of Tk. 70,000 to date.

PC19.2: The financial statement for XYZ & Co for the income year ended on June 30, 2024, is given below. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

	Tk. 50,000	Sales	Tk. 2,500,000
Beginning Inventory	1,000,000	Ending Inventory	100,000
Purchase	100,000		
Wages	60,000		
Fuel, Power and Gas	1,390,000		
Gross Profit	2,600,000		2,600,000

Salary	200,000	Gross Profit brought down	1,390,000
Repairs	40,000	Share Premium	400,000
Extension	150,000	Recovery of Bad Debt	5,000
Interest on Debenture	30,000	Refund of Income Tax	15,000
Lawyers Fee	20,000	Dividend	60,000
Audit Fee	45,000	Gain on Sale of Asset	20,000
Advance Income Tax	40,000		
Bad & Doubtful Debt	15,000		
Gift	25,000		
Loss on Sale of Investment	15,000		
Loss of Stock due to Fire	120,000		
Penalty	25,000		
Depreciation	60,000		
Net Profit	1,105,000		
	<u>1,890,000</u>		<u>1,890,000</u>

Comm. to managing Agent	82,000	Net Profit brought down	1,105,000
Bonuses to Shareholders	218,000		
Provision for Taxation	40,000		
Dividends	80,000		
Balance	685,000		
	<u>1,105,000</u>		<u>1,105,000</u>

Other Information:

- ☐ Tax depreciation amounts to taka 80,000.
- ☐ The company has sold an asset for Tk. 1 lac that the company has purchased 4 years back at a cost of Tk. 1 lac with a written down value of Tk. 80,000 to date.
- ☐ Extension was made to the building.
- ☐ The penalty was collected by the customs authority.

PC19.3: The income statement for the year ended June 30, 2023, of Juvenile Inc. is given below. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

Salaries	Tk. 350,000	Gross Profit	Tk. 1,250,000
Office Rent	80,000	Dividend	60,000
Commission	30,000	Share Transfer Fee	40,000
Advertisements	60,000	Share Premium	60,000
Donation	40,000	Gain on Sale of Furniture	20,000
Interest on Debenture	60,000		
Provision for Bad Debt	25,000		
Copyright	30,000		
Penalty	30,000		
Audit Fee	40,000		

Bangladesh Income Tax - Theory and Practice

Law Charges	30,000	
Loss on Fire	40,000	
Advance Income Tax	25,000	
Insurance Premium	15,000	
Reserve Fund	40,000	
Depreciation	70,000	
Net Profit	465,000	
	<u>1,430,000</u>	<u>1,430,000</u>

Other Information:

- ☐ Salary includes perquisites to the extent of taka 250,000.
- ☐ Tax Depreciation amounts to taka 90,000.
- ☐ Law charges are incurred due to the filing of a court case by the company against one of its competitors for infringement of trademark.
- ☐ Donation is made to authorized institutions.
- ☐ Company has declared 15% cash dividend and another 10% stock dividend.
- ☐ During the year, the company sold office furniture for taka 80,000. The initial cost of the furniture sold was 90,000 with written down value of taka 60,000.
- ☐ The advertisement expenses were made for 3 years.

PC19.4: From the following Profit and Loss Account for the year ended 30th June 2024 of Y Ltd, determine total income and tax liability.

Remuneration to MD	Tk. 30,000	Gross Profit	Tk. 463,000
Salaries	80,000	Dividend Income	25,000
Contribution to RPF	40,000	Recovery of bad debt	4,000
Rent and Taxes	30,000	Share transfer fee	8,000
Repairs	25,000		
Utility	15,000		
Fire Insurance Premium	12,000		
Penalty	18,000		
Audit Fees	30,000		
Printing, Stationery & Postage	17,000		
Compensation from RPF	32,000		
Office Equipment	40,000		
Advertisement	30,000		
Entertainment	10,000		
Bad Debt	12,000		
Depreciation	33,000		
Net Profit	46,000		
	<u>500,000</u>		<u>500,000</u>

Other Information:

- ☐ Penalty was due to income tax authority due to tax evasion.

Chapter - 19 Assessment of Company

- ☐ Rent and Taxes included VAT of taka 5,000 which was paid for importing an office equipment during the year.
- ☐ The company is a publicly traded company.
- ☐ The recovered portion of bad debt was allowed for deduction in earlier years.
- ☐ Tax depreciation taka 40,000.
- ☐ Repairs included taka 4,000 spent for the installation of a secondhand air conditioner in the flat of Chairman.

PC19.5: The profit and loss account of Safe Pharmaceuticals (SP) for the year ended on June 30, 2024, reports net income of Tk. 2,500,000. A scrutiny of accounts and supporting documents revealed following facts. Compute taxable income for SP.

During the year the company sold some of its pharmaceutical supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of Tk. 250,000 as the expiry period is very close and charged such loss against current year's profit. The company recovered Tk. 30,000 from bad debt that was written off earlier and was disallowed. The amount so recovered was credited to sundry debtors account. The company had Tk. 80,000 interests due to Bangladesh Development Bank Limited in the year 2012 and such interest was shown as allowable deduction in that year. Still, such interest remains unpaid. The company has a trading liability with one overseas company to the tune of Tk. 100,000 which has been totally waived by the overseas company under special agreement during this year.

During the year, the company sold one equipment for Tk. 200,000 which was purchased at a total cost of Tk. 130,000 and had a written down value of Tk. 100,000 on the date of sale. The company reports Tk. 100,000 as gain on sale of equipment in the credit side of profit and loss account. Due to a sudden fire on the factory building, the extended portion of the building is totally destroyed, and compensation received from the insurance company totaled Tk. 450,000. In addition, the insurance company realized an additional sum of Tk. 30,000 by selling the scrap. The extension was constructed at a total cost of Tk. 400,000 and depreciation charged to date amounts to Tk. 50,000.

The company sold a scientific apparatus used for scientific research for Tk. 80,000 which was originally purchased at Tk. 150,000 and depreciated for Tk. 70,000 till date. The sale proceed is not recorded at all. The company have had export quota for exporting garments to EU countries. As the company has recently changed the line of operation (switched from garments manufacturing to pharmaceuticals), it transferred the export quota to another garments manufacturer for an annual sum of Tk. 60,000. Such income is not reported at all. The company claimed investment allowance for new machinery installed during the last year costing Tk. 1,000,000 which is entitled to accelerated depreciation.

Bonus and commission to the field representatives at the rate of 4 months' pay Tk. 300,000. But the general practice of bonus and commission for the similar business is

two months' pay. Sum of Tk. 120,000 paid to an NBR approved institution for scientific research. Sum of Tk. 200,000 is expensed for establishing a school for the benefit of employees without any charge. The company has not claimed any other deduction or allowance. Salary of Tk. 500,000 and rent of Tk. 80,000 were paid without deducting tax at source. Payment of brokerage and commission of Tk. 60,000 made to a non-resident without deducting tax at source. Excess amount of perquisites given to employees is Tk. 430,000.

Accounting depreciation charged to the account is Tk. 350,000 but tax depreciation amounts to Tk. 300,000 excluding the amount of accelerated depreciation on machinery. Value of the free sample distributed was Tk. 150,000. Annual turnover during the year was Tk. 9,000,000. Expenditure on foreign travels for holidaying and recreation of the employees and their dependents to the extent of the amount equivalent to four months basic salary of Tk. 480,000; actual expenditure being Tk. 400,000 and that the travel was not oftener than once in two years.

Sum of Tk. 50,000 expended to train employees (Bangladeshi citizen) in connection with a scheme approved by the Board. The company expensed a sum of Tk. 200,000 for visits abroad as a member of trade delegation sponsored by the government. Annual membership fee of Tk. 150,000 is paid to Bangladesh Pharmaceutical Society which is a professional institution recognized by the Board. Expenditure on publicity and advertisement is Tk. 250,000 and Entertainment expenditure, Tk. 180,000.

PC19.6: The following accounts ('000 Tk.) appeared in the ABC Limited, a non-publicly traded Cigarette manufacturing company for the year ended on December 31, 2023. Compute total taxable income and tax liability for the current assessment year.

Cost of Goods Sold	Tk. 70,000	Net Sales	Tk. 120,000
Salaries and wages	20,000	Interest	1,000
Interest on loan	13,750	Dividend	2,500
Free sample distribution	550	Gain on sale of land	2,500
Provision for bad debt	500	Gain on Sale of Share	1,500
Supplies expense	600	Bad debt recovery	12,500
Loss on sale of machine	100		
Bad debt	600		
Rent Expense	10,000		
Repair expenses	2,000		
Commission	600		
Audit fee	200		
Depreciation	3,000		
Royalty	600		
Donation (BUET, DU equally)	800		

Travel Expense	
Sales Promotion	3,000
Entertainment	700
Miscellaneous exp	300
Insurance exp	300
Corporate income Tax	5,000
Net profit	1,400
	6,000
	<u>140,000</u>
	<u>140,000</u>

Additional Information:

- ☐ Salaries and allowances include the following items:
 - Perquisites: CEO 7,00,000; CFO 5,00,000; Chief Research Advisor (Person with disability) 24,00,000.
 - incentive bonus of Tk. 800,000
- ☐ Allowable depreciation as per Schedule 3: Tk. 27,00,000
- ☐ Two third of the travel expense is related to domestic travel.
- ☐ The company purchased Tk. 100,000 raw materials from one supplier in cash.
- ☐ The company sold machine for Tk. 4,00,000; Total cost 9,00,000; Accumulated depreciation Tk. 400,000.
- ☐ It has been identified that the company appointed one local consultant at a monthly salary of Tk. 100,000.
- ☐ For simplicity, assume total TDS and Advance Tax Amount is Tk. 10,00,000

ANSWERS

MULTIPLE CHOICE QUESTIONS

										TRUE/FALSE				
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
d	d	c	a	b	a	d	b	d	b	F	F	T	F	T

SELF – REVIEW 19.1

75% of total assessed income is : Tk. 285,000
 Advance Tax + TDS (Tk. 120,000 + Tk. 32,000) : Tk. 152,000
 Shortfall: Tk. 285,000 – Tk. 152,000 : Tk. 133,000
 Interest required to be paid: 10% of Tk. 133,000 : Tk. 13,300

SELF – REVIEW 19.2

- (a) ABC plc is required to pay additional tax at the rate of five per cent on the undistributed profit in addition to tax payable under IT Ordinance.
- (b) XYZ Banking Company shall pay an excess profit tax for that year at the rate of fifteen per cent on so much of profit as it exceeds fifty per cent of the aggregate sum of the capital and reserve.

20

Penalty, Appeal, Offences, & Prosecution

"The hardest thing in the world to understand is the income tax."
- Albert Einstein

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

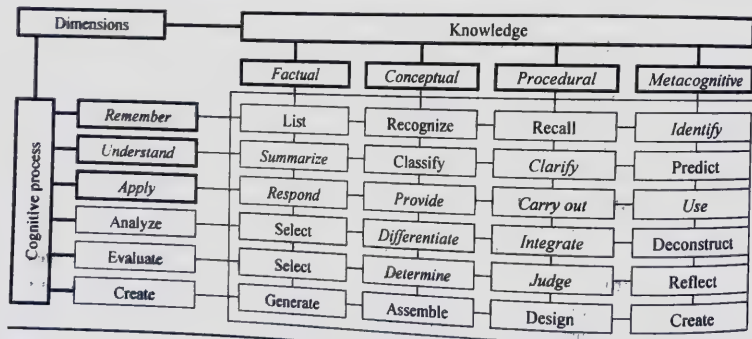
- CLO 20.1 explain different provision for non-compliance
- CLO 20.2 identify the grounds for appeal
- CLO 20.3 elaborate the appeal process
- CLO 20.4 explain the functions of Alternative Dispute Resolution
- CLO 20.5 identify the offences and related prosecutions
- CLO 20.6 apply relevant sections of punishment for non-compliance

KEY TERMS

Penalty, Appeal, Offences, Prosecution, Appellate Tribunal, High Court Division, ADR, Special Judge, Non-compliance

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



20.1

CLO
20.1

INTRODUCTION

In most of the developing countries of the world, tax evasion is one of the most important obstacles for the revenue authorities to meet the revenue target. Some dishonest taxpayers' always try to evade taxes using many types of mechanisms including the loopholes of the existing tax laws of the country. Unlike other countries, in Bangladesh certain penalty provisions have been incorporated in the Income Tax Act, 2023 in order to tackle the tax evasion practice. An aggrieved assessee also has the right to appeal against the order of any tax officials. "Penalty" is punishment for breach of law. Where a statute requires any person to do a particular thing and he fails to do so, he renders himself liable to penalty. Similarly, when the statute requires any person not to do a particular thing and he does so, he exposes himself to penalty. The nature and quantum of penalty differs from statute to statute and from default to default.

20.2

CLO
20.1

PENALTY PROVISIONS

If the assessee does not comply with any provisions under the Income Tax Act, 2023 applicable for him/her, then according to the same ordinance he/she is supposed to be penalized for such kind of non-compliance. In the ITA, 2023, Section 266 to 284 explains how much penalty should be imposed upon an assessee for a specific nature of non-compliance.

Penalty for Failure to File Return, Etc. [Section 266]

- ☐ *Failure to file or furnish a return:* Where any person has, without reasonable cause, failed to file or furnish a return of income required by or under sections 166, 172, 191, 193 or 212 within the time laid down therefore, the DCT shall impose upon such person a penalty amounting to 10% of tax imposed on last assessed income, but such penalty cannot be less than Tk. 1,000 and in the case of a continuing default a further penalty of Tk. 50 for every day during which the default continues. Provided that such penalty shall not exceed-
 - in case of an assessee, being an individual, whose income was not assessed previously Tk. 5,000;
 - in case of an assessee, being an individual, whose income was assessed previously, fifty per cent (50%) of the tax payable on the last assessed income or Tk. 1,000, whichever is higher.

- ☐ Where any person has, without reasonable cause, failed to-
 - file or furnish any return, statement or information required under section 177, the Deputy Commissioner of Taxes may impose upon such person, a penalty amounting to ten per cent of tax imposed on last assessed income or Tk. 5,000, whichever is higher, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues;

- file or furnish any certificate required under section 145, the Deputy Commissioner of Taxes may impose upon such person, a penalty amounting to Tk. 5,000, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues;
- file or furnish any required information against the requirement of the income tax authority U/s 200, a penalty amounting to Tk. 50,000, and in the case of a continuing default, a further penalty of Tk. 500 for every month or fraction thereof during which the default continues.

Penalty for Not Maintaining Accounts in the Prescribed Manner [Sec 267]

Where any person not having income from tangible property, has, without reasonable cause, failed to comply with provisions of any order or rule made in pursuance of, or for the purposes of section 72(3), the DCT may impose upon him a penalty of a sum –

- ☐ Maximum 1 ½ times of his/her tax liability payable; and
- ☐ Where the total income of such person does not exceed the maximum amount on which tax is not chargeable, maximum amount of penalty will be Tk. 5,000.

Where any person, having income from tangible property, has, without reasonable cause, failed to comply with the provisions of any order or rule made in pursuance of, or for the purposes of section 72(3), the Deputy Commissioner of Taxes, may impose upon him a penalty of fifty percent of taxes payable on tangible property income or five thousand taka, whichever is higher.]

Penalty for using fake TIN [Section 268]

Where a person has, without reasonable cause, used TIN of another person or used fake TIN on a return of income or any other documents where TIN is required under ITA, 2023, the DCT may impose a penalty not exceeding Tk. 20,000 on that person.

Failure to Pay Advance Tax, Etc. [Section 269]

As per section 269, where, in the course of any proceeding in connection with the assessment of tax, the Deputy Commissioner of Taxes is satisfied that any person has (i) without reasonable cause, failed to pay advance tax as required by section 154; or (ii) furnished untrue estimate of tax payable under section 155, he may impose upon such person a penalty of not more than the amount by which the tax actually paid by him falls short of the amount that should have been paid.

Example: If someone is supposed to pay advance tax of Tk. 60,000 but has paid only Tk. 30,000. His penalty for such failure can be at best Tk. 30,000 [Tk. 60,000 – Tk. 30,000].

Penalty for Concealment of Income [Section 272]

As per sec. 272 of the ITA, 2023, where, during any proceeding under this Act, the person directing the proceedings, is satisfied that any person has, either in the said proceeding or in any earlier proceeding relating to an assessment in respect of the

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same income year with a view to evading tax, the concerned person directing the proceedings shall impose upon such person a penalty of A + B amount, where

A = Tax evaded × 15%,

B = Tax evaded × 10% × C,

C = a period from the year in which the concealment was first assessable to tax to the year in which the concealment was detected.

For the purpose of this section,

- ☐ “Person directing the proceeding” means-
 - Any income tax authority, not less than with the designation of Deputy Commissioner of Taxes;
 - Taxes Appellate Tribunal;
- ☐ “Tax Evaded” means the amount of C – D, where
 - C = Amount payable if income, assets, liability, expense or any other important information would have not been concealed;
 - D = Amount paid in the said assessment year.

Penalty for Incorrect or False Audit Report by Chartered Accountant

As per Section 273, a chartered accountant shall be charged penalty Tk. 50,000 to Tk. 200,000, where in the course of any proceeding under this Act, the Deputy Commissioner of Taxes, the Additional Tax Commissioner (Appeal), the Commissioner of Taxes (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that the audit report –

- ☐ is not certified by a chartered accountant to the effect that the accounts are maintained and the statements are prepared and reported in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), and are audited in accordance with the International Standards on Auditing (ISA), or
- ☐ is false or incorrect,

Revision of Penalty Based on the Revised Amount of Income [Section 284]

As per Section 284, where a penalty imposed under this Part is directly related to the amount of income assessed under the provision of this Act and the amount of income is revised subsequently by an order made under this Act, the Deputy Commissioner of Taxes shall pass an order revising the order of penalty at the time of revising the income. No order of enhancement of penalty shall be made unless the parties affected thereby have been given a reasonable opportunity of being heard.

Where, in the case mentioned in sub-section (1), an order of the revision of penalty is not issued despite the fact that the relevant assessment order has been revised, the parties affected can make an application to the DCT requesting the revision of the penalty amount and if no order has been made by within 180 days from the receipt of such application, the amount of penalty shall be deemed to have been revised

according to the revised amount of income and all the provisions of this Act shall have effect accordingly.

Other Penalty Provisions

- *Penalty for non-compliance with notice [Section 270]:* Where any person has, without reasonable cause, failed to comply with any notice issued under Sections 167, 168, 179, 181, 183 or 212 the DCT may impose on him a penalty at best the amount of tax chargeable on the total income of such person.
- *Failure to pay tax on the basis of return [Section 271]:* According to Section 271 of the Income Tax Act, 2023, where, in the course of any proceeding under this Act, the Deputy Commissioner of Taxes is satisfied that any person has not paid assessed tax, he may impose upon such person a sum not exceeding 25% of the whole of the tax or as the case may be, of such portion of the tax as has not been paid.
- *Penalty for furnishing fake audit report [Section 274]:* Where, in the course of any proceeding under this Act, the DCT, the Additional Commissioner of Taxes (Appeal), the Commissioner (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that any audit report furnished by an assessee along with the return of income or thereafter for any income year is not signed by a chartered accountant or is believed to be false, such authority or the Tribunal, as the case may be, shall impose upon such assessee a penalty of a sum of Tk. 100,000 for that income year.
- *Penalty for default in payment of tax [Section 275]:* Where an assessee is in default or is deemed to be in default in making payment of tax, the Deputy Commissioner of Taxes may direct that, in addition to the amount of tax in arrears, a sum not exceeding that amount shall be recovered from the assessee by way of penalty.
- *Penalty for failure to comply with the notice or requisition under section 235 [Section 276]:* Where any person fails to comply with the notice or requisition under section 235 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding one percent of the value of each international transaction entered into by such person.
- *Penalty for failure to comply with the notice or requisition under section 237 [Section 277]:* Where any person fails to keep, maintain or furnish any information or documents or records as required by section 237 of this Act, without prejudice to the provisions of Part 19 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding one percent of the value of each international transaction entered into by such person.
- *Penalty for failure to comply with the notice or requisition under section 238 [Section 278]:* Where any person fails to comply with the provision of section 238 of this Act, the Deputy Commissioner of Taxes may impose upon such

person a penalty not exceeding two per cent (2%) of the value of each international transaction entered into by such person.

- *Penalty for failure to comply with the notice or requisition under section 239 [Section 279]:* Where any person fails to furnish a report as required by section 139 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty of a sum not exceeding three lakh taka.
- *Bar to imposition of penalty without hearing [Section 280]:* No order imposing a penalty under this Part shall be made on any person unless such person has been heard or given a reasonable opportunity of being heard.
- *Previous approval of Inspecting Joint Commissioner for imposing penalty [Section 281]:* According to Section 281, the DCT shall not impose any penalty under this Part without the previous approval of the Inspecting Additional Commissioner except in the cases U/s 266, 275, 276, 277, 278, and 279.
- *Orders of penalty to be sent to Deputy Commissioner of Taxes [Section 282]:* The Appellate Tribunal or any income tax authority, not being the Deputy Commissioner of Taxes himself, making an order imposing any penalty under this Act shall forthwith send a copy of the order to the DCT, and thereupon all the provisions of this Act relating to the recovery of penalty shall apply as if such order were made by the DCT.
- *Penalty to be without prejudice to other liability [Section 283]:* According to Section 283, the imposition of penalty on any person under this Part shall be in addition to any other liability which such person may incur, or may have incurred, under this Act or under any other law for the time being in force.

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PROVISIONS OF REVISION [SECTION 285]

The Commissioner may on an application made by the assessee, call for the record of any proceeding under this Act in which an order has been passed by any authority subordinate to him and may make such enquiry or cause such enquiry to be made and, subject to the provisions of this Act, may pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit [U/s 285(1)]. The application for revision of an order under this Act passed by any authority subordinate to the Commissioner shall be made within sixty days of the date on which such order is communicated to the assessee or within such further period as the Commissioner may consider fit to allow on being satisfied that the assessee was prevented by sufficient cause from making the application within the said sixty days [U/s 285(2)].



Mr. Shafiq Ahmed is a resident assessee and paid Tk. 22,000 income tax for the income year 2023 – 2024. His tax payable income for the income year 2022 – 2023 is Tk. 620,000. Suppose in this year last date to file return of income was 30th November, 2024 and Mr. Ahmed failed to file return of income till 4th December, 2024. Now as an income tax practitioner evaluate the penalty provisions applicable for Mr. Ahmed and also the amount of penalty he is supposed to pay for his failure.

The Commissioner shall not exercise his power under sub-section (1) in respect of any order [U/s 285(2)]-

- Where an appeal against the order lies to the Additional Commissioner (Appeal) or to the Commissioner (Appeals) or to the Appellate Tribunal and the time within which such appeal may be made has not expired or the assessee has not waived his right of appeal: or
- where the order is pending on an appeal before the Additional Commissioner (Appeal) or it has been made the subject of an appeal to the Commissioner (Appeals) or to the Appellate Tribunal.

According to section 285(4), no application under sub-section (1) shall lie unless- (a) it is accompanied by a fee of two hundred taka; and (b) the recognized tax liability is paid.

For the purposes of this section, an order by the Commissioner declining to interfere shall not be construed as an order prejudicial to the assessee. Notwithstanding anything contained in this Act, an application for revision made under sub-section (1) shall be deemed to have been allowed if the Commissioner fails to make an order thereon within a period of sixty days from the date of filing the application [U/s 285(5-6)].

For the purposes of this section, the Additional Commissioner of Taxes (Appeal) shall be deemed to be an authority subordinate to the Commissioner to whom the Deputy Commissioner of Taxes, whose order was the subject-matter of the appeal order under revision, is subordinate [U/s 285(7)].

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PROVISIONS OF APPEAL

The term "appeal" has been defined in the Law Dictionary by Sweet as "a proceeding taken to rectify an erroneous decision of a court by submitting the question to a higher court or court of appeal". It embraces all proceedings where a superior court is called upon to review, revise, affirm, reverse, or modify the decision of an inferior court.

There is no inherent right of appeal. If a right of appeal is not given by the statute, no appeal would lie [CIT vs. Garware Nylons 212 ITR 242]. The income tax law has specifically granted the right of appeal. When an assessee is not satisfied with the order of a Deputy Commissioner of Taxes or any other tax officer, he/she may prefer an appeal to the concerned higher administrative authorities against such order, in accordance with the relevant provisions. The order of the administrative authorities i.e., Commissioner (Appeal) is further appealable. The aggrieved party (i.e., the assessee or the income tax authority) may appeal against such order to the Appellate Tribunal. Thereafter, the appeal lies to High Court Division on a point of law. The order of the High Court is appealable to the Appellate Division of the Supreme Court which is the final authority.

- Accounting depreciation was Tk. 7,92,127 whereas as per tax law this has been computed at Tk. 9,19,029.
- Analysis of the dividend, rent etc., revealed that an amount of Tk. 64,88,284 being interests on various bank deposits has been included therein.

Calculate tax liability of the company for the relevant assessment year.

[Adapted from ICAB Study Manual]

Assessee: Amity General Insurance Company Limited			
Assessment Year: 2024 - 2025		Income Year: 2023 - 2024	
Net profit as per accounts			Tk. 3,23,57,906
Less: Income considered separately			
Dividend	Tk. 1,32,37,745		
Interest	64,88,284		1,97,26,029
			1,26,31,877
Add: Inadmissible expenses			
Accounting depreciation	7,92,127		
Gratuity provision	7,79,845		15,72,022
			1,42,03,899
Less: Admissible expenses			
Tax depreciation	9,19,029		
Gratuity actually paid	6,25,860		
Reserve for exception losses	64,44,130		79,89,019
			62,14,880
Income from business			
Add: Income from non-business heads			
Income from other sources: Dividend income			1,32,37,745
Income from financial assets			64,88,284
			2,59,40,909
Total income			

Computation of Tax Liability

	Income	Tax Rates	Tax Payable
Income from Business	Tk. 62,14,880	37.50%	Tk. 23,30,580
Income from Other Sources: Dividend	1,32,37,745	20.00%	26,47,549
Income from financial assets	64,88,284	37.50%	24,33,107
Total	2,59,40,909		74,11,236

Notes: (1) Dividend is taxable @ 20%; (2) Gratuity actually paid is allowed;

(3) Reserve for exceptional losses:	Current Year (2022)	Preceding Years		
		2021	2020	2019
Premium income	12,56,07,426	13,55,80,109	13,68,87,085	13,12,12,308
Average of previous three years			13,45,59,834	

Transfer admissible - 10% of net premium income of Tk. 6,44,41,296 = Tk. 64,44,130
Balance carried forward = Tk. 10,83,89,850

KEY POINTS

- As per ITA, 2023 "Company" means a company as defined in the Companies Act, 1994.
- For a Company, "Resident", in respect of any income year, means a Bangladeshi company or any other company the control and management of whose affairs is situated wholly in Bangladesh in that year [U/s 2(45)(c)].
- For company assessee, tax day is the 15th day of the 7th month following the end of the income year or the 15th day of September whichever comes later [U/s 2(23)(b)].
- Where loss is assessed in any head of income, the company is entitled to set off the loss against its income assessed in other heads of that year excluding loss on speculation business, capital gain, business and tobacco business.
- Every company assessee shall pay advance tax in four equal installments falling on 15th Sept.; 15th Dec.; 15th March and 15th June of each financial year if the latest assessed income exceeds Tk. six lakhs [(U/s - 155(2), 154(1))].
- Companies are required to pay minimum tax at specified rates.
- If any publicly traded company other than bank, insurance, financial institutions declare dividends at the rate more than 20%, it will enjoy 10% tax rebate on applicable tax.
- For publicly traded Bank, Insurance and Financial Institutions the applicable tax rate is 37.5%.
- Accelerated depreciation on cost of machinery is admissible for new industrial undertaking in the first three years of commercial production @ 50%, 30% and 20% respectively.
- If transactions relating to all receipts and income, every individual transaction exceeding Tk. 5 lacs and total annual transaction exceeding Tk. 36 lacs relating to expenses and investments are done other than bank transfer, tax rate on income will be 22.50%. tax rates of few specified companies will be 2.5% higher than regular rate.

MULTIPLE CHOICE QUESTIONS

1. A resident company should fulfill the following conditions except -
 - (a) Should be a Bangladeshi company
 - (b) Management and control should be in Bangladesh
 - (c) Body corporate constituted by any law in Bangladesh
 - (d) Should be publicly traded company
2. A limited cigarette manufacturing company shall have to pay tax at the rate of -
 - (a) 22.50%
 - (b) 30%
 - (c) 40%
 - (d) 45%
3. Unabsorbed depreciation can be carried forward for -
 - (a) 6 successive assessment year
 - (b) next assessment year
 - (c) unlimited period
 - (d) no more than current year

4. Every company assessee shall pay advance tax in four equal installments falling on -
 - (a) 15th Sept.; 15th Dec.; 15th March & 15th June
 - (b) 15th June; 15th Sept.; 15th Dec. & 15th March
 - (c) 15th March; 15th June; 15th Sept. & 15th Dec.
 - (d) 15th Dec.; 15th March 15th June & 15th Sept.
5. If the amount of advance tax together with the TDS, is less than 75% of the tax payable on the basis of regular assessment, what rate of interest is leviable -
 - (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
6. Initial depreciation allowance on machinery for first year is @ -
 - (a) 25%
 - (b) 50%
 - (c) 80%
 - (d) 100%
7. Income of companies engaged in production of light engineering items is exempted from tax for a period of -
 - (a) 4 years
 - (b) 6 years
 - (c) 8 years
 - (d) 10 years
8. Listed companies are entitled to 10% tax rebate if they declare dividend @ -
 - (a) 15% and above
 - (b) 20% and above
 - (c) less than 15%
 - (d) less than 20%
9. What will be the tax rate of Teletalk Bangladesh Limited?
 - (a) 22.50%
 - (b) 30%
 - (c) 37.50%
 - (d) 45%
10. Mobile phone operator company should issue _____ share through IPO to pay tax at 40% -
 - (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Minimum tax of a company will be Tk. 5,000.
2. If a banking company states profit 50% higher than capital and reserve, it will not pay tax on excess profit.
3. The charge of additional tax is applicable @ 5%.
4. Capital gain arising out of Transfer of stocks and shares of any company registered under Companies Act, 1994 is taxed @ 15%.
5. A listed mobile phone company will pay tax @ 40%.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ19.1 What is meant by a company under ITA, 2023?
- DQ19.2 State the conditions required to be a resident company.
- DQ19.3 Discuss the implication of withholding tax and advance tax from a company perspective.
- DQ19.4 "Company enjoys a number of fiscal incentives" - explain.
- DQ19.5 State the procedure of assessment of a company.
- DQ19.6 In which situations a company can claim tax rebate and at what rate?
- DQ19.7 Cite tax rates applicable to different types of companies under Finance Act 2023.
- DQ19.8 Write short note on: ☐ Industrial Company ☐ Set off and carry forward of losses ☐ Charge of additional tax ☐ Charge of minimum tax
- DQ19.9 Define Income Tax and identify some characteristics of taxes based on your definition.

PROBLEM CASES (PC)

PC19.1: The profit and loss account ('000 Tk.) of XYZ & Co is given below for the assessment year 2024-25. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

	Tk. 1,200	Sales	Tk. 3,600
Cost of Goods Sold	500	Dividend	80
Salaries	120	Interest	30
Rent	120	Gain on sale of Asset	30
Advertisements	80	Interest on Tax-Free Securities	25
Interest on Loan	60		
Utility Expenses	150		
Charity	100		
Transportation Expenses	150		
Audit Fee	80		
Bad Debt	70		
Contribution to RPF	50		
Income Tax paid in Advance	20		
Fines paid to Customs	15		
Annual Membership	40		
Legal Expenses	35		
Insurance Premium	12		
Sundry Expenses	80		
Depreciation	213		
Net Profit	<u>3,725</u>		<u>3,725</u>
Total			

Other information:

- ☐ Salaries paid without deducting tax at sources.
- ☐ Tax depreciation amounts to taka 100,000.
- ☐ Legal expenses are paid due to the litigation against the company.
- ☐ The company has sold an asset for Tk. 100,000 that the company has purchased 4 years back at a cost of Tk. 80,000 with a written down value of Tk. 70,000 to date.

PC19.2: The financial statement for XYZ & Co for the income year ended on June 30, 2024, is given below. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

	Tk. 50,000	Sales	Tk. 2,500,000
Beginning Inventory	1,000,000	Ending Inventory	100,000
Purchase	100,000		
Wages	60,000		
Fuel, Power and Gas	1,390,000		
Gross Profit	<u>2,600,000</u>		<u>2,600,000</u>

Salary	200,000	Gross Profit brought down	1,390,000
Repairs	40,000	Share Premium	400,000
Extension	150,000	Recovery of Bad Debt	5,000
Interest on Debenture	30,000	Refund of Income Tax	15,000
Lawyers Fee	20,000	Dividend	60,000
Audit Fee	45,000	Gain on Sale of Asset	20,000
Advance Income Tax	40,000		
Bad & Doubtful Debt	15,000		
Gift	25,000		
Loss on Sale of Investment	15,000		
Loss of Stock due to Fire	120,000		
Penalty	25,000		
Depreciation	60,000		
Net Profit	<u>1,105,000</u>		<u>1,890,000</u>
Commi. to managing Agent	82,000	Net Profit brought down	1,105,000
Bonuses to Shareholders	218,000		
Provision for Taxation	40,000		
Dividends	80,000		
Balance	<u>685,000</u>		<u>1,105,000</u>

Other Information:

- ☐ Tax depreciation amounts to taka 80,000.
- ☐ The company has sold an asset for Tk. 1 lac that the company has purchased 4 years back at a cost of Tk. 1 lac with a written down value of Tk. 80,000 to date.
- ☐ Extension was made to the building.
- ☐ The penalty was collected by the customs authority.

PC19.3: The income statement for the year ended June 30, 2023, of Juvenile Inc. is given below. Determine the taxable income of the company and net tax liability thereof assuming it is a public limited company.

Salaries	Tk. 350,000	Gross Profit	Tk. 1,250,000
Office Rent	80,000	Dividend	60,000
Commission	30,000	Share Transfer Fee	40,000
Advertisements	60,000	Share Premium	60,000
Donation	40,000	Gain on Sale of Furniture	20,000
Interest on Debenture	60,000		
Provision for Bad Debt	25,000		
Copyright	30,000		
Penalty	30,000		
Audit Fee	40,000		

	30,000	
Law Charges	40,000	
Loss on Fire	25,000	
Advance Income Tax	15,000	
Insurance Premium	40,000	
Reserve Fund	70,000	
Depreciation	465,000	
Net Profit	1,430,000	1,430,000

Other Information:

- ☐ Salary includes perquisites to the extent of taka 250,000.
- ☐ Tax Depreciation amounts to taka 90,000.
- ☐ Law charges are incurred due to the filing of a court case by the company against one of its competitors for infringement of trademark.
- ☐ Donation is made to authorized institutions.
- ☐ Company has declared 15% cash dividend and another 10% stock dividend.
- ☐ During the year, the company sold office furniture for taka 80,000. The initial cost of the furniture sold was 90,000 with written down value of taka 60,000.
- ☐ The advertisement expenses were made for 3 years.

PC19.4: From the following Profit and Loss Account for the year ended 30th June 2024 of Y Ltd. determine total income and tax liability.

Remuneration to MD	Tk. 30,000	Gross Profit	Tk. 463,000
Salaries	80,000	Dividend Income	25,000
Contribution to RPF	40,000	Recovery of bad debt	4,000
Rent and Taxes	30,000	Share transfer fee	8,000
Repairs	25,000		
Utility	15,000		
Fire Insurance Premium	12,000		
Penalty	18,000		
Audit Fees	30,000		
Printing, Stationery & Postage	17,000		
Compensation from RPF	32,000		
Office Equipment	40,000		
Advertisement	30,000		
Entertainment	10,000		
Bad Debt	12,000		
Depreciation	33,000		
Net Profit	46,000		
	<u>500,000</u>		<u>500,000</u>

Other Information:

- ☐ Penalty was due to income tax authority due to tax evasion.

- ☐ Rent and Taxes included VAT of taka 5,000 which was paid for importing an office equipment during the year.
- ☐ The company is a publicly traded company.
- ☐ The recovered portion of bad debt was allowed for deduction in earlier years.
- ☐ Tax depreciation taka 40,000.
- ☐ Repairs included taka 4,000 spent for the installation of a secondhand air conditioner in the flat of Chairman.

PC19.5: The profit and loss account of Safe Pharmaceuticals (SP) for the year ended on June 30, 2024, reports net income of Tk. 2,500,000. A scrutiny of accounts and supporting documents revealed following facts. Compute taxable income for SP.

During the year the company sold some of its pharmaceutical supplies that remained unused for a long time in the storeroom. The company sold the supplies for a loss of Tk. 250,000 as the expiry period is very close and charged such loss against current year's profit. The company recovered Tk. 30,000 from bad debt that was written off earlier and was disallowed. The amount so recovered was credited to sundry debtors account. The company had Tk. 80,000 interests due to Bangladesh Development Bank Limited in the year 2012 and such interest was shown as allowable deduction in that year. Still, such interest remains unpaid. The company has a trading liability with one overseas company to the tune of Tk. 100,000 which has been totally waived by the overseas company under special agreement during this year.

During the year, the company sold one equipment for Tk. 200,000 which was purchased at a total cost of Tk. 130,000 and had a written down value of Tk. 100,000 on the date of sale. The company reports Tk. 100,000 as gain on sale of equipment in the credit side of profit and loss account. Due to a sudden fire on the factory building, the extended portion of the building is totally destroyed, and compensation received from the insurance company totaled Tk. 450,000. In addition, the insurance company realized an additional sum of Tk. 30,000 by selling the scrap. The extension was constructed at a total cost of Tk. 400,000 and depreciation charged to date amounts to Tk. 50,000.

The company sold a scientific apparatus used for scientific research for Tk. 80,000 which was originally purchased at Tk. 150,000 and depreciated for Tk. 70,000 till date. The sale proceed is not recorded at all. The company have had export quota for exporting garments to EU countries. As the company has recently changed the line of operation (switched from garments manufacturing to pharmaceuticals), it transferred the export quota to another garments manufacturer for an annual sum of Tk. 60,000. Such income is not reported at all. The company claimed investment allowance for new machinery installed during the last year costing Tk. 1,000,000 which is entitled to accelerated depreciation.

Bonus and commission to the field representatives at the rate of 4 months' pay Tk. 300,000. But the general practice of bonus and commission for the similar business is

two months' pay. Sum of Tk. 120,000 paid to an NBR approved institution for scientific research. Sum of Tk. 200,000 is expensed for establishing a school for the benefit of employees without any charge. The company has not claimed any other deduction or allowance. Salary of Tk. 500,000 and rent of Tk. 80,000 were paid without deducting tax at source. Payment of brokerage and commission of Tk. 60,000 made to a non-resident without deducting tax at source. Excess amount of perquisites given to employees is Tk. 430,000.

Accounting depreciation charged to the account is Tk. 350,000 but tax depreciation amounts to Tk. 300,000 excluding the amount of accelerated depreciation on machinery. Value of the free sample distributed was Tk. 150,000. Annual turnover during the year was Tk. 9,000,000. Expenditure on foreign travels for holidaying and recreation of the employees and their dependents to the extent of the amount equivalent to four months basic salary of Tk. 480,000; actual expenditure being Tk. 400,000 and that the travel was not oftener than once in two years.

Sum of Tk. 50,000 expended to train employees (Bangladeshi citizen) in connection with a scheme approved by the Board. The company expensed a sum of Tk. 200,000 for visits abroad as a member of trade delegation sponsored by the government. Annual membership fee of Tk. 150,000 is paid to Bangladesh Pharmaceutical Society which is a professional institution recognized by the Board. Expenditure on publicity and advertisement is Tk. 250,000 and Entertainment expenditure, Tk. 180,000.

PC19.6: The following accounts ('000 Tk.) appeared in the ABC Limited, a non-publicly traded Cigarette manufacturing company for the year ended on December 31, 2023. Compute total taxable income and tax liability for the current assessment year.

Cost of Goods Sold	Tk. 70,000	Net Sales	Tk. 120,000
Salaries and wages	20,000	Interest	1,000
Interest on loan	13,750	Dividend	2,500
Free sample distribution	550	Gain on sale of land	2,500
Provision for bad debt	500	Gain on Sale of Share	1,500
Supplies expense	600	Bad debt recovery	12,500
Loss on sale of machine	100		
Bad debt	600		
Rent Expense	10,000		
Repair expenses	2,000		
Commission	600		
Audit fee	200		
Depreciation	3,000		
Royalty	600		
Donation (BUET, DU equally)	800		

Travel Expense	3,000	
Sales Promotion	700	
Entertainment	300	
Miscellaneous exp	300	
Insurance exp	5,000	
Corporate income Tax	1,400	
Net profit	6,000	
	<u>140,000</u>	<u>140,000</u>

Additional Information:

- ☐ Salaries and allowances include the following items:
 - Perquisites: CEO 7,00,000; CFO 5,00,000; Chief Research Advisor (Person with disability) 24,00,000.
 - incentive bonus of Tk. 800,000
- ☐ Allowable depreciation as per Schedule 3: Tk. 27,00,000
- ☐ Two third of the travel expense is related to domestic travel.
- ☐ The company purchased Tk. 100,000 raw materials from one supplier in cash.
- ☐ The company sold machine for Tk. 4,00,000; Total cost 9,00,000; Accumulated depreciation Tk. 400,000.
- ☐ It has been identified that the company appointed one local consultant at a monthly salary of Tk. 100,000.
- ☐ For simplicity, assume total TDS and Advance Tax Amount is Tk. 10,00,000

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
d	d	c	a	b	a	d	b	d	b

TRUE/FALSE

1	2	3	4	5
F	F	T	F	T

SELF - REVIEW 19.1

75% of total assessed income is : Tk. 285,000
 Advance Tax + TDS (Tk. 120,000 + Tk. 32,000) : Tk. 152,000
 Shortfall: Tk. 285,000 - Tk. 152,000 : Tk. 133,000
 Interest required to be paid: 10% of Tk. 133,000 : Tk. 13,300

SELF - REVIEW 19.2

- (a) ABC plc is required to pay additional tax at the rate of five per cent on the undistributed profit in addition to tax payable under IT Ordinance.
- (b) XYZ Banking Company shall pay an excess profit tax for that year at the rate of fifteen per cent on so much of profit as it exceeds fifty per cent of the aggregate sum of the capital and reserve.

20

Penalty, Appeal, Offences, & Prosecution

"The hardest thing in the world to understand is the income tax."
- Albert Einstein

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

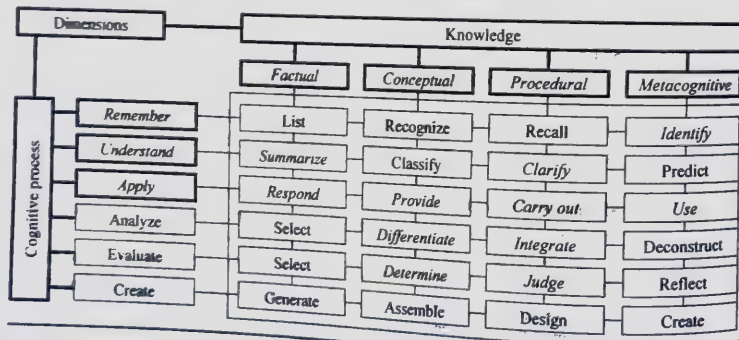
- CLO 20.1 explain different provision for non-compliance
CLO 20.2 identify the grounds for appeal
CLO 20.3 elaborate the appeal process
CLO 20.4 explain the functions of Alternative Dispute Resolution
CLO 20.5 identify the offences and related prosecutions
CLO 20.6 apply relevant sections of punishment for non-compliance

KEY TERMS

Penalty, Appeal, Offences, Prosecution, Appellate Tribunal, High Court Division, ADR, Special Judge, Non-compliance

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



20.1

CLO
20.1

INTRODUCTION

In most of the developing countries of the world, tax evasion is one of the most important obstacles for the revenue authorities to meet the revenue target. Some dishonest taxpayers' always try to evade taxes using many types of mechanisms including the loopholes of the existing tax laws of the country. Unlike other countries, in Bangladesh certain penalty provisions have been incorporated in the Income Tax Act, 2023 in order to tackle the tax evasion practice. An aggrieved assessee also has the right to appeal against the order of any tax officials. "Penalty" is punishment for breach of law. Where a statute requires any person to do a particular thing and he fails to do so, he renders himself liable to penalty. Similarly, when the statute requires any person not to do a particular thing and he does so, he exposes himself to penalty. The nature and quantum of penalty differs from statute to statute and from default to default.

20.2

CLO
20.1

PENALTY PROVISIONS

If the assessee does not comply with any provisions under the Income Tax Act, 2023 applicable for him/her, then according to the same ordinance he/she is supposed to be penalized for such kind of non-compliance. In the ITA, 2023, Section 266 to 284 explains how much penalty should be imposed upon an assessee for a specific nature of non-compliance.

Penalty for Failure to File Return, Etc. [Section 266]

- ☐ **Failure to file or furnish a return:** Where any person has, without reasonable cause, failed to file or furnish a return of income required by or under sections 166, 172, 191, 193 or 212 within the time laid down therefore, the DCT shall impose upon such person a penalty amounting to 10% of tax imposed on last assessed income, but such penalty cannot be less than Tk. 1,000 and in the case of a continuing default a further penalty of Tk. 50 for every day during which the default continues. Provided that such penalty shall not exceed-
 - in case of an assessee, being an individual, whose income was not assessed previously Tk. 5,000;
 - in case of an assessee, being an individual, whose income was assessed previously, fifty per cent (50%) of the tax payable on the last assessed income or Tk. 1,000, whichever is higher.

- ☐ **Where any person has, without reasonable cause, failed to-**
 - file or furnish any return, statement or information required under section 177, the Deputy Commissioner of Taxes may impose upon such person, a penalty amounting to ten per cent of tax imposed on last assessed income or Tk. 5,000, whichever is higher, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues;

- file or furnish any certificate required under section 145, the Deputy Commissioner of Taxes may impose upon such person, a penalty amounting to Tk. 5,000, and in the case of a continuing default, a further penalty of Tk. 1,000 for every month or fraction thereof during which the default continues;
- file or furnish any required information against the requirement of the income tax authority U/s 200, a penalty amounting to Tk. 50,000, and in the case of a continuing default, a further penalty of Tk. 500 for every month or fraction thereof during which the default continues.

Penalty for Not Maintaining Accounts in the Prescribed Manner [Sec 267]

Where any person not having income from tangible property, has, without reasonable cause, failed to comply with provisions of any order or rule made in pursuance of, or for the purposes of section 72(3), the DCT may impose upon him a penalty of a sum –

- ☐ Maximum 1 ½ times of his/her tax liability payable; and
- ☐ Where the total income of such person does not exceed the maximum amount on which tax is not chargeable, maximum amount of penalty will be Tk. 5,000,

Where any person, having income from tangible property, has, without reasonable cause, failed to comply with the provisions of any order or rule made in pursuance of, or for the purposes of section 72(3), the Deputy Commissioner of Taxes, may impose upon him a penalty of fifty percent of taxes payable on tangible property income or five thousand taka, whichever is higher.]

Penalty for using fake TIN [Section 268]

Where a person has, without reasonable cause, used TIN of another person or used fake TIN on a return of income or any other documents where TIN is required under ITA, 2023, the DCT may impose a penalty not exceeding Tk. 20,000 on that person.

Failure to Pay Advance Tax, Etc. [Section 269]

As per section 269, where, in the course of any proceeding in connection with the assessment of tax, the Deputy Commissioner of Taxes is satisfied that any person has (i) without reasonable cause, failed to pay advance tax as required by section 154; or (ii) furnished untrue estimate of tax payable under section 155, he may impose upon such person a penalty of not more than the amount by which the tax actually paid by him falls short of the amount that should have been paid.

Example: If someone is supposed to pay advance tax of Tk. 60,000 but has paid only Tk. 30,000. His penalty for such failure can be at best Tk. 30,000 [Tk. 60,000 – Tk. 30,000].

Penalty for Concealment of Income [Section 272]

As per sec. 272 of the ITA, 2023, where, during any proceeding under this Act, the person directing the proceedings, is satisfied that any person has, either in the said proceeding or in any earlier proceeding relating to an assessment in respect of the

same income year with a view to evading tax, the concerned person directing the proceedings shall impose upon such person a penalty of A + B amount, where

A = Tax evaded × 15%,

B = Tax evaded × 10% × C,

C = a period from the year in which the concealment was first assessable to tax to the year in which the concealment was detected.

For the purpose of this section,

☐ “Person directing the proceeding” means-

- Any income tax authority, not less than with the designation of Deputy Commissioner of Taxes;
- Taxes Appellate Tribunal;

☐ “Tax Evaded” means the amount of C – D, where

C = Amount payable if income, assets, liability, expense or any other important information would have not been concealed;

D = Amount paid in the said assessment year.

Penalty for Incorrect or False Audit Report by Chartered Accountant

As per Section 273, a chartered accountant shall be charged penalty Tk. 50,000 to Tk. 200,000, where in the course of any proceeding under this Act, the Deputy Commissioner of Taxes, the Additional Tax Commissioner (Appeal), the Commissioner of Taxes (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that the audit report –

- ☐ is not certified by a chartered accountant to the effect that the accounts are maintained and the statements are prepared and reported in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), and are audited in accordance with the International Standards on Auditing (ISA), or
- ☐ is false or incorrect,

Revision of Penalty Based on the Revised Amount of Income [Section 284]

As per Section 284, where a penalty imposed under this Part is directly related to the amount of income assessed under the provision of this Act and the amount of income is revised subsequently by an order made under this Act, the Deputy Commissioner of Taxes shall pass an order revising the order of penalty at the time of revising the income. No order of enhancement of penalty shall be made unless the parties affected thereby have been given a reasonable opportunity of being heard.

Where, in the case mentioned in sub-section (1), an order of the revision of penalty is not issued despite the fact that the relevant assessment order has been revised, the parties affected can make an application to the DCT requesting the revision of the penalty amount and if no order has been made by within 180 days from the receipt of such application, the amount of penalty shall be deemed to have been revised

according to the revised amount of income and all the provisions of this Act shall have effect accordingly.

Other Penalty Provisions

- *Penalty for non-compliance with notice [Section 270]:* Where any person has, without reasonable cause, failed to comply with any notice issued under Sections 167, 168, 179, 181, 183 or 212 the DCT may impose on him a penalty at best the amount of tax chargeable on the total income of such person.
- *Failure to pay tax on the basis of return [Section 271]:* According to Section 271 of the Income Tax Act, 2023, where, in the course of any proceeding under this Act, the Deputy Commissioner of Taxes is satisfied that any person has not paid assessed tax, he may impose upon such person a sum not exceeding 25% of the whole of the tax or as the case may be, of such portion of the tax as has not been paid.
- *Penalty for furnishing fake audit report [Section 274]:* Where, in the course of any proceeding under this Act, the DCT, the Additional Commissioner of Taxes (Appeal), the Commissioner (Appeals) or the Appellate Tribunal is satisfied beyond reasonable doubt that any audit report furnished by an assessee along with the return of income or thereafter for any income year is not signed by a chartered accountant or is believed to be false, such authority or the Tribunal, as the case may be, shall impose upon such assessee a penalty of a sum of Tk. 100,000 for that income year.
- *Penalty for default in payment of tax [Section 275]:* Where an assessee is in default or is deemed to be in default in making payment of tax, the Deputy Commissioner of Taxes may direct that, in addition to the amount of tax in arrears, a sum not exceeding that amount shall be recovered from the assessee by way of penalty.
- *Penalty for failure to comply with the notice or requisition under section 235 [Section 276]:* Where any person fails to comply with the notice or requisition under section 235 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding **one percent** of the value of each international transaction entered into by such person.
- *Penalty for failure to comply with the notice or requisition under section 237 [Section 277]:* Where any person fails to keep, maintain or furnish any information or documents or records as required by section 237 of this Act, without prejudice to the provisions of Part 19 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty not exceeding one percent of the value of each international transaction entered into by such person.
- *Penalty for failure to comply with the notice or requisition under section 238 [Section 278]:* Where any person fails to comply with the provision of section 238 of this Act, the Deputy Commissioner of Taxes may impose upon such

- person a penalty not exceeding two per cent (2%) of the value of each international transaction entered into by such person.
- *Penalty for failure to comply with the notice or requisition under section 239 [Section 279]:* Where any person fails to furnish a report as required by section 139 of this Act, the Deputy Commissioner of Taxes may impose upon such person a penalty of a sum not exceeding three lakh taka.
- *Bar to imposition of penalty without hearing [Section 280]:* No order imposing a penalty under this Part shall be made on any person unless such person has been heard or given a reasonable opportunity of being heard.
- *Previous approval of Inspecting Joint Commissioner for imposing penalty [Section 281]:* According to Section 281, the DCT shall not impose any penalty under this Part without the previous approval of the Inspecting Additional Commissioner except in the cases U/s 266, 275, 276, 277, 278, and 279.
- *Orders of penalty to be sent to Deputy Commissioner of Taxes [Section 282]:* The Appellate Tribunal or any income tax authority, not being the Deputy Commissioner of Taxes himself, making an order imposing any penalty under this Act shall forthwith send a copy of the order to the DCT, and thereupon all the provisions of this Act relating to the recovery of penalty shall apply as if such order were made by the DCT.
- *Penalty to be without prejudice to other liability [Section 283]:* According to Section 283, the imposition of penalty on any person under this Part shall be in addition to any other liability which such person may incur, or may have incurred, under this Act or under any other law for the time being in force.

20.3

CLO
20.2
20.3

PROVISIONS OF REVISION [SECTION 285]

The Commissioner may on an application made by the assessee, call for the record of any proceeding under this Act in which an order has been passed by any authority subordinate to him and may make such enquiry or cause such enquiry to be made and, subject to the provisions of this Act, may pass such order thereon, not being an order prejudicial to the assessee, as he thinks fit [U/s 285(1)]. The application for revision of an order under this Act passed by any authority subordinate to the Commissioner shall be made within sixty days of the date on which such order is communicated to the assessee or within such further period as the Commissioner may consider fit to allow on being satisfied that the assessee was prevented by sufficient cause from making the application within the said sixty days [U/s 285(2)].



Mr. Shafiq Ahmed is a resident assessee and paid Tk. 22,000 income tax for the income year 2023 – 2024. His tax payable income for the income year 2022 – 2023 is Tk. 620,000. Suppose in this year last date to file return of income was 30th November, 2024 and Mr. Ahmed failed to file return of income till 4th December, 2024. Now as an income tax practitioner evaluate the penalty provisions applicable for Mr. Ahmed and also the amount of penalty he is supposed to pay for his failure.

The Commissioner shall not exercise his power under sub-section (1) in respect of any order [U/s 285(2)]-

- ☐ Where an appeal against the order lies to the Additional Commissioner (Appeal) or to the Commissioner (Appeals) or to the Appellate Tribunal and the time within which such appeal may be made has not expired or the assessee has not waived his right of appeal; or
- ☐ where the order is pending on an appeal before the Additional Commissioner (Appeal) or it has been made the subject of an appeal to the Commissioner (Appeals) or to the Appellate Tribunal.

According to section 285(4), no application under sub-section (1) shall lie unless- (a) it is accompanied by a fee of two hundred taka; and (b) the recognized tax liability is paid.

For the purposes of this section, an order by the Commissioner declining to interfere shall not be construed as an order prejudicial to the assessee. Notwithstanding anything contained in this Act, an application for revision made under sub-section (1) shall be deemed to have been allowed if the Commissioner fails to make an order thereon within a period of sixty days from the date of filing the application [U/s 285(5-6)].

For the purposes of this section, the Additional Commissioner of Taxes (Appeal) shall be deemed to be an authority subordinate to the Commissioner to whom the Deputy Commissioner of Taxes, whose order was the subject-matter of the appeal order under revision, is subordinate [U/s 285(7)].

20.4

CLO
20.2
20.3

PROVISIONS OF APPEAL

The term "appeal" has been defined in the Law Dictionary by Sweet as "a proceeding taken to rectify an erroneous decision of a court by submitting the question to a higher court or court of appeal". It embraces all proceedings where a superior court is called upon to review, revise, affirm, reverse, or modify the decision of an inferior court.

There is no inherent right of appeal. If a right of appeal is not given by the statute, no appeal would lie [CIT vs. Garware Nylons 212 ITR 242]. The income tax law has specifically granted the right of appeal. When an assessee is not satisfied with the order of a Deputy Commissioner of Taxes or any other tax officer, he/she may prefer an appeal to the concerned higher administrative authorities against such order, in accordance with the relevant provisions. The order of the administrative authorities i.e., Commissioner (Appeal) is further appealable. The aggrieved party (i.e., the assessee or the income tax authority) may appeal against such order to the Appellate Tribunal. Thereafter, the appeal lies to High Court Division on a point of law. The order of the High Court is appealable to the Appellate Division of the Supreme Court which is the final authority.

Ground for Appeal [Section 286]

Any person aggrieved by order of an income tax authority regarding the following matters may appeal to the respective appellate income-tax authority (the Commissioner of Taxes (Appeals) or the Appellate Additional Commissioner of Taxes, as the case may be).

- ☐ assessment of income;
- ☐ computation of tax liability;
- ☐ set off or carry forward of loss;
- ☐ imposition of any penalty or interest;
- ☐ charge and computation of surcharge or any other sum;
- ☐ computation of refund;
- ☐ credit of tax; and
- ☐ payment of a refund.

Appeal Made to Whom?

An appeal in the following cases shall be made only to the Commissioner of Taxes (Appeals)-

- ☐ appeal by a company;
- ☐ appeal against an order under section 213;
- ☐ appeal against an order of adjustment or penalty involving international transactions;
- ☐ appeal against an order, in matters mentioned above made by an income tax authority in the rank of a Joint Commissioner of Taxes or above. [Section 286(2)]

However, the Board may

- assign any appeal to any appellate income-tax authority;
- transfer an appeal from one appellate income-tax authority to another appellate income-tax authority [Section 286(3)].

No appeal shall lie in respect of an income which is computed as a share of the taxed income. [Section 286(4)] No appeal shall lie against any order of assessment in the following cases -

Where the return of income was filed	Recognized tax not paid
Where no return of income was filed	if at least 10% of the tax as determined by the DCT has not been paid.

Provided that where the tax on the basis of return has been paid by the appellant before filing the appeal and the appellate income-tax authority is convinced that the appellant was barred by sufficient reason from paying the tax before filing the return, it may allow the appeal for hearing [Section 286(5)].

Form of Appeal and Limitation [Section 287]

Every appeal under Section 286 shall be drawn up in such form and verified in such manner as may be prescribed and shall be accompanied by a fee of Tk. 200. The Board may, by notification in the official Gazette-

- ☐ specify the cases in which the appeal shall be filed electronically or in any other machine readable or computer readable media;
- ☐ specify the form and manner in which such appeal shall be filed [sec. 154(1-3)].

An appeal shall be presented within 45 days -

- ☐ if it relates to any assessment or penalty, from the date of service of the notice of demand relating to any assessment or penalty, as the case may be; and
- ☐ in any other case, from the date on which the intimation of the order to be appealed against is served [sec. 154(4)].

But the Appellate JC or the Commissioner (Appeals) as the case may be, may admit an appeal after the expiration of such period under sub-section 4, if he is satisfied that the appellant was prevented by sufficient cause from presenting the appeal within that period.

Procedures in Appeal [Section 288]

The Appellate income tax authority shall fix a day and place for the hearing of the appeal and give notice thereof to the appellant and the Deputy Commissioner of Taxes against whose order the appeal has been preferred. The appellant and the DCT shall have the right to be heard at the hearing of the appeal either in person or by a representative [Section 288(1-2)].

The Appellate income tax authority may, if necessary, can adjourn the hearing of the appeal from time to time and may, before or at the hearing of an appeal, allow the appellant to go into any ground of appeal not earlier specified in the grounds of appeal already filed if he is satisfied that the omission of that ground from the form of appeal was not willful or unreasonable [Section 288(3-4)].

The Appellate income tax authority may, before disposing of an appeal, make such enquiry as he thinks fit or call for such particulars as he may require respecting the matters arising in appeals or cause further enquiry to be made by the Deputy Commissioner of Taxes. While hearing an appeal, the Appellate income tax authority shall not admit any documentary material or evidence which was not produced before the DCT unless he is satisfied that the appellant was unable to present the documents for valid reasons [Section 288(5-6)].

Decision in Appeal [Section 289]

As per section 289(1), in disposing of an appeal, the Appellate income tax authority may, in case of an order/any other case -

- ☐ of assessment: confirm, reduce, enhance, set aside or cancel the assessment;
- ☐ of imposing a penalty: confirm, set aside or cancel such order or vary it so as either to enhance or to reduce the penalty; and
- ☐ any other case, pass such order as he thinks fit:

Provided that an order of assessment or penalty shall not be set aside except in a case where the Appellate JCT or the Commissioner (Appeals) is satisfied that a notice on the assessee has not been served in accordance with the provisions of section 335. The Appellate income tax authority shall not enhance an assessment or a penalty or reduce the amount of refund unless the appellant has been given a reasonable opportunity of showing cause against such enhancement or reduction [Section 289(2-3)].

The order of the Appellate income tax authority disposing of an appeal shall be in writing and shall state the points for determination, the decision thereon and the reasons for the decision. Where, as a result of an appeal, any change is made in the assessment of a firm or an association of persons, the Appellate income tax authority may direct the DCT to amend accordingly any assessment made on any partner of the firm or any member of the association [Section 289(4-5)].

On the disposal of an appeal, the Appellate income tax authority shall communicate the order passed by him to the appellant, the Deputy Commissioner of Taxes and the Commissioner within 30 days of the passing of such order. Notwithstanding anything contained in this Act, an appeal shall be deemed to have been allowed if the Appellate income tax authority fails to make an order thereon within 150 days from the from the end of the month on which the appeal was filed [Section 289(6-7)].

Appeal Against Order of Tax Recovery Officer [Section 290]

Any person aggrieved by an order of the Tax Recovery Officer under section 217 may, within 30 days from the date of service of the order, appeal to the Inspecting Joint Commissioner to whom the Tax Recovery Officer is subordinate, and the decision of the IJCT on such appeal shall be final.

Appeal to the Appellate Tribunal [Section 291]

The provisions regarding the appeal to the Appellate Tribunal are as follows:

An assessee may appeal to the Appellate Tribunal if he is aggrieved by an order of an Appellate Joint Commissioner or the Commissioner (Appeals) as the case may be, under Sec. 272 or 289 [Section 291(1)].

No appeal under sub-section (1) shall lie against an order of the Appellate Joint Commissioner or the Commissioner (Appeals), as the case may be, unless the assessee has paid 10% [ten percent] of the amount representing the difference

between the tax as determined on the basis of the order of the Appellate Joint Commissioner or the Commissioner (Appeals) as the case may be, and the recognized tax liability [Section 291(2)].

on an application made in this behalf by the assessee, the Commissioner of Taxes, may reduce, the requirement of such payment under sub-section (2) if the grounds of such application appears reasonable to him and shall pass such order in this regard as he thinks fit within thirty days from date of the receipt of such application [Section 291(3)].

The Deputy Commissioner of Taxes may, with the prior approval of the Commissioner of Taxes, prefer an appeal to the Appellate Tribunal against the order of an Appellate Joint Commissioner, or the Commissioner (Appeals) under section 289 [Section 291(4)].

Every appeal under sub-section (1) or sub-section (3) shall be filed within 60 days of the date on which the order sought to be appealed against is communicated to the assessee or to the Commissioner, as the case may be. Provided that the Appellate Tribunal may admit an appeal after the expiry of 60 days if it is satisfied that there was sufficient cause for not presenting the appeal within that period [Section 291(5)].

The Commissioner of Taxes may reduce the payment in reasonable ground against the application of the assessee. An appeal to the Appellate Tribunal shall be in such form and verified in such manner as may be prescribed and shall except in the case of an appeal under sub-section (2) be accompanied by a fee of Tk. 1,000 [Section 291(6)].

According to section 291(7), The Board may, by notification in the official Gazette –

- ☐ specify the cases in which the appeal shall be filed electronically or in any other machine readable or computer readable media;
- ☐ specify the form and manner in which such appeal shall be filed.

Disposal of Appeal by the Appellate Tribunal [Section 292]

The Appellate Tribunal follows the following procedures to dispose of an appeal filed by the aggrieved parties:

- ☐ The Tribunal may, after giving both the parties to the appeal an opportunity of being heard, pass such orders on the appeal as it thinks fit [Section 292(1)].
- ☐ Before disposing of any appeal, the Appellate Tribunal may call for such particulars as it may require respecting the matters arising in the appeal or cause further enquiry to be made by the DCT [Section 292(2)].
- ☐ Where, an appeal results any change in the assessment of a firm or association of persons, or a new assessment of a firm or association of persons is ordered to be made, the Appellate Tribunal may direct the DCT to amend accordingly any

assessment made on any partner of the firm or any member of the association [Section 292(3)].

- ☐ The Appellate Tribunal shall communicate its order on the appeal to the assessee and to the Commissioner within 30 days from the order date [Section 292(4)].
- ☐ Save as hereafter provided in this Chapter, the orders passed by the Appellate Tribunal on appeal shall be final [Section 292(5)].
- ☐ Notwithstanding anything contained in this Act, an appeal filed by an assessee to the Appellate Tribunal (AT) shall be deemed to have been allowed if the AT fails to make an order thereon within a period of 180 days from the end of the month in which the appeal was filed and where a case is heard by two members and an additional member is appointed for hearing the case because of the difference of decision of the two members, the period shall be 240 days from the end of the month in which the appeal was filed subject to some conditions provided [Section 292(6)].

Reference to the High Court Division [Section 293]

As per section 293 of the ITA, 2023, the assessee or the Commissioner may refer to the High Court Division if any question of law arises out of the order of the Appellate Tribunal. The provisions about the reference to High Court Division are as follows:

- ☐ The assessee or the Commissioner may, within 90 days from the date of receipt of the order of the Appellate Tribunal communicated to him u/s 292, by application in the prescribed form, accompanied, in the case of an application by the assessee, by a fee of Tk. 2,000, refer to the High Court Division any question of law arising out of such order. Before filing the appeal, the assessee has to pay 15% of the differential amount specified by the ITA, 2023 where tax demand does not exceed 10 lakh taka. The requirement is 25% where tax demand exceeds Tk. 10 lakh. Provided further that the Board may, on an application made in this behalf, modify, or waive, in any case, the requirement of such payment [Section 293(1-2)].
- ☐ An application under sub-section (1) shall be in triplicate and shall be accompanied by the following documents, namely
 - certified copy, in triplicate, of the order of the Appellate Tribunal out of which the question of law has arisen;
 - certified copy, in triplicate, of the order of the DCT, the IJCT or the Appellate JCT, or the Commissioner (Appeals) as the case may be, which was the subject-matter of appeal before the Appellate Tribunal; and
 - certified copy, in triplicate, of any other document the contents of which are relevant to the question of law formulated in the application and which was produced before the DCT, the IJCT, the Appellate JCT or the Commissioner (Appeals) or the Appellate Tribunal, as the case may be, in the course of any proceedings relating to any order referred to in clause (a) or (b) [Section 293(3)].

- ☐ Where the assesse is the applicant the Commissioner shall be made a respondent and where the Commissioner is the applicant the assessee shall be made a respondent.

Provided that where an assessee dies or is succeeded by another person or is a company which is being wound up the application shall not abate and may, if the assessee was the applicant, be continued by, and if he was the respondent, be continued against the executor, administrator, successor or other legal representative of the assessee or by or against the liquidator or receiver, as the case may be [Section 293(4)].

- ☐ On receipt of the notice of the date of hearing of the application, the respondent shall, at least seven days before the date of hearing, submit in writing a reply to the application and he shall therein specifically admit or deny whether the question of law formulated by the applicant arises out of the order of the Appellate Tribunal [Section 293(5)].
- ☐ If the question formulated by the applicant is, in the opinion of the respondent, defective, the reply shall state in what particulars the question is defective and what is the exact question of law, if any, which arises out of the said order; and the reply shall be in triplicate and be accompanied by any documents which are relevant to the question of law formulated in the application and which were produced before the DCI, the Inspecting Joint Commissioner, the Appellate Joint Commissioner, the Commissioner (Appeals) or the Appellate Tribunal, as the case may be in the course of any proceedings relating to any order referred to in sub-section (2) (a) or (b) [Section 293(6)].
- ☐ Section 4 of the Limitation Act, 1908 (IX of 1908) shall apply to an application under sub-section (1) [Section 293(7)].

Decision of the High Court Division [Section 294]

As per section 294 the High Court Division gives its decision regarding the reference sent to it for the clarification of any question of law arises out of the order of the Appellate Tribunal. In this regard the following procedures are followed:

- ☐ Where any case has been referred to the High Court Division under Section 294, it shall be heard by a bench of not less than two judges and the provisions of Section 96 of the Code of Civil Procedure 1908 (V of 1908), shall, so far as may be applicable, apply in respect of such case [Section 294(1)].
- ☐ The High Court Division shall, upon hearing any case referred to it under Section 294, decide the question of law raised thereby and shall deliver its judgment thereon stating the grounds on which such decision is founded and shall send a copy of such judgment under the seal of the Court and signature of the Registrar to the Appellate Tribunal which shall pass such orders as are necessary to dispose of the case in conformity with the judgment [Section 294(2)].

- ☐ The order in respect of a reference to the High Court Division under Section 293 shall be in the discretion of the Court [Section 293(1)].
- ☐ Notwithstanding that a reference has been made under Section 293 to the High Court Division, tax shall be payable in accordance with the assessment made in the case unless the recovery thereof has been stayed by the High Court Division [Section 293(4)].

Appeal to the Appellate Division [Section 295]

According to Section 295 of the ITA, 2023, an appeal can be filed against the judgment of the High Court Division, subject to the following provisions:

- ☐ An appeal shall lie to the appellate division from any judgment of the High Court Division delivered under Section 294 in any case which the High Court Division certifies to be a fit one for appeal to the Appellate Division [Section 295(1)].
- ☐ The provisions of the Code of Civil Procedure, 1908 (Act V of 1908), relating to appeals to the Appellate Division shall, so far as may be, apply in the case of appeals under this section similarly as they apply in the case of appeals from decrees of the High Court Division. Provided that nothing in this sub-section shall be deemed to affect the provision of Section 294 (2) or (4). Provided further that the High Court Division may, on petition made for the execution of the order of the Appellate Division in respect of any costs awarded thereby, transmit the order for execution to any Court subordinate to the High Court Division [Section 295(2)].
- ☐ Where the judgment of the High Court Division is varied or reversed in appeal under this section, effect shall be given to the order of the Appellate Division in the manner provided in section 294 (2) and (4) regarding such judgment [Section 295(3)].
- ☐ The provisions of sub-section (3) and sub-section (4) of section 294 relating to costs and payment of tax shall apply in the case of an appeal to the Appellate Division as they apply to a reference to the High Court Division u/s – 294 [Section 295(4)].

20.5

CLO
20.4

ALTERNATIVE DISPUTE RESOLUTION [SECTION 296]

Part 20 of the ITA, 2023 introduced a separate chapter titled Chapter III Alternative Dispute Resolution to resolve any dispute of an assessee lying with any income tax authority, Taxes Appellate Tribunal or Court. The provisions are as follows:

Notwithstanding anything contained in this chapter, any dispute of an assessee lying with any income tax authority, Taxes Appellate Tribunal or Court may be resolved through Alternative Dispute Resolution (hereinafter referred to as ADR) in the manner described in the following sections of this Chapter and rules made thereunder [Section 297].

SELF - REVIEW
20.2

Identify in what points appeal to the Appellate Joint Commissioner of taxes are similar to appeal to the Appellate Tribunal. Also state how these two appeal procedure differs.

For ADR, unless the context otherwise requires [Section 296]:

- ☐ "authorised representative" means an authorized representative mentioned in sub-section (2) of section 327;
- ☐ "bench" means bench of Taxes Appellate Tribunal;
- ☐ "Commissioner's Representative" means an officer(s) nominated by the CT from the income tax authorities u/s 4 to represent in the ADR process;
- ☐ "court" means the Supreme Court;
- ☐ "dispute" means an objection of an assessee regarding assessment of income above the income declared by him in his return of income for the relevant year, or order of an appellate authority under Part 20 which results in assessment of income which is above the declared amount in his return of income;

Application for Alternative Resolution of Disputes [Section 298]

- ☐ Subject to the provisions under subsection (4), an assessee, if aggrieved by an order of an income-tax authority, tribunal, or court, may apply for resolution of the dispute through the ADR process.
- ☐ An assessee may apply for ADR of a dispute which is pending before any division of the Supreme Court.

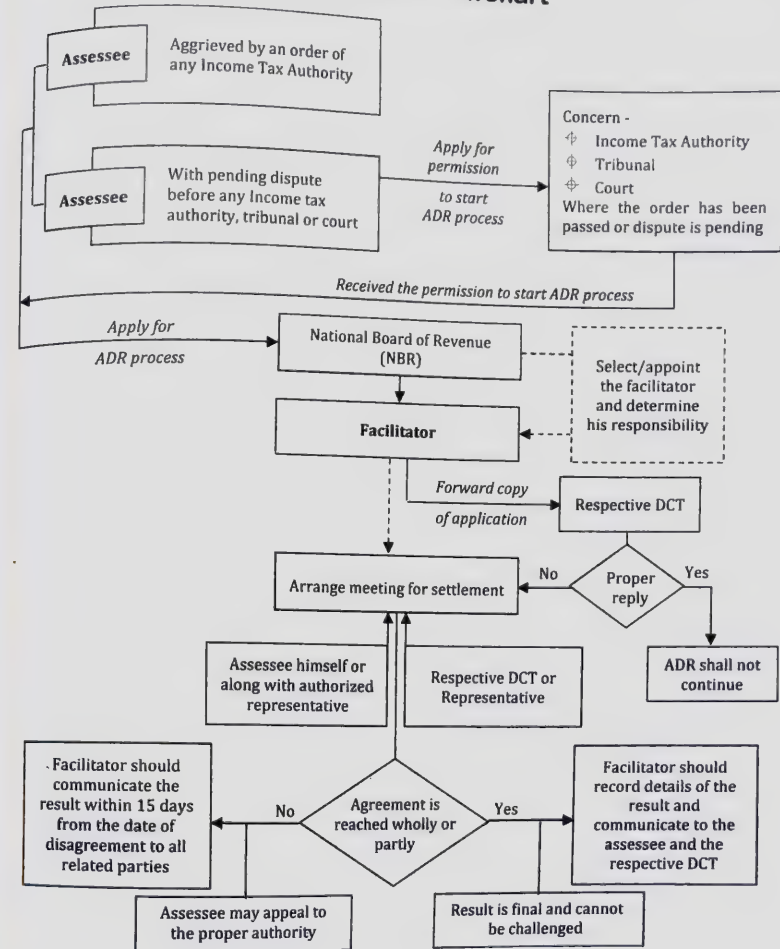
Provided that where any dispute has already been filed in the form of Writ petition shall not be a subject of ADR.

Application for ADR:

- The application shall be submitted in such form, within such time, accompanied with such fees and verified in such manner as may be prescribed.
- The application is to be submitted to the respective Appellate income tax authority or Taxes Appellate Tribunal or the Registrar of the Supreme Court, as the case may be.
- ☐ The assessee shall submit a statement with relevant documents, evidences, legal ground and real event with the application.
- ☐ An assessee shall not be eligible for application to ADR if he fails to pay recognized tax in that year where the return of income for the relevant year or years has been submitted.

EXHIBIT

ADR Process Flowchart



Commissioner's Representative in ADR [Section 299]

The respective Commissioner of Taxes may nominate any income tax authority subordinate to him, not below the rank of Deputy Commissioner of Taxes to represent him in the negotiation process of the ADR. The representative so nominated shall attend the meeting(s) of ADR negotiation process and sign the agreement of such negotiation process, where an agreement is reached.

Facilitator in ADR [Section 300]

For the purposes of resolving a dispute in an alternative way, the Board may select or appoint Facilitator and determine his fees, duties and responsibilities by rules.

Rights and Duties of the Assessee for ADR [Section 301]

The assessee applying for ADR shall be allowed to negotiate himself personally or along with an authorized representative, with the Commissioner's Representative for the concerned dispute under the facilitation and supervision of the Facilitator.

While submitting an application for ADR, the applicant-assessee shall submit all related papers and documents, disclose all issues of law and facts. The applicant-assessee shall be cooperative, interactive, fair and bonafide while negotiating for resolution. The applicant-assessee shall be liable to pay any taxes, if due as a result of negotiation with the time frame as decided in the ADR.

Procedures of Disposal by the Alternative Dispute Resolution [Sec. 302]

- ☐ Upon receiving the application of ADR, the Facilitator shall forward a copy of the application to the respective Deputy Commissioner of Taxes and also call for his opinion on the grounds of the application and also whether the conditions referred to in section 298 have been complied with.
- ☐ If the DCT fails to give his opinion regarding fulfillment of the conditions within fifteen days from receiving the copy mentioned in clause (c) of sub-section (3), the Facilitator may deem that the conditions thereto have been fulfilled.
- ☐ The Facilitator may-
 - notify in writing the applicant and the Commissioner of Taxes or the Commissioner's Representative to attend the meetings for settlement of disputes on a date mentioned in the notice;
 - if he considers it necessary to do so, adjourn the meeting from time to time;
 - call for records or evidence from the DCT or from the applicant before or at the meeting, with a view to settle the dispute; and
 - before disposing of the application, cause to make such enquiry by any income-tax authority as he thinks fit.
- ☐ The Facilitator will assist the applicant and the Commissioner's Representative to agree on resolving the dispute(s) through consultations and meetings.

Decision of the ADR [Section 304]

- ☐ A dispute, which is subject to this Act, may be resolved by an Agreement either wholly or in part where both the parties of the dispute accept the points for determination of the facts or laws applicable in the dispute.
- ☐ Where an agreement is reached, either wholly or in part, between the assessee and the Commissioner's Representative, the Facilitator shall record, in writing, the details of the agreement in the manner as may be prescribed.
- ☐ The recording of every such agreement shall describe the terms of the agreement including any tax payable or refundable and any other necessary and appropriate matter, and the manner in which any sums due under the agreement shall be paid and such other matters as the Facilitator may think fit to confirm effectiveness.
- ☐ The agreement shall be void if it is subsequently found that it has been concluded by fraud or misrepresentation of facts.
- ☐ The agreement shall be signed by the assessee and the Commissioner's Representative and the facilitator.
- ☐ Where no agreement, whether wholly or in part, is reached or the dispute resolution is ended in disagreement between the applicant-assessee and the concerned Commissioner's Representative for noncooperation of either of the parties, the Facilitator shall communicate it, in writing recording reasons thereof, within fifteen days from the date of disagreement, to the applicant and the Board, the concerned court, Tribunal, appellate authority and income tax authority, as the case may be, about such unsuccessful dispute resolution.
- ☐ Where the agreement is reached, recorded and signed accordingly containing time and mode of payment of payable dues or refund, as the case may be, the Facilitator shall communicate the same to the assessee and the concerned DCT for compliance with the agreement as per provisions of this Act.
- ☐ No agreement shall be deemed have been reached if the Facilitator fails to make an agreement within three months from the end of the application filling month.
- ☐ Where there is a successful agreement, the Facilitator shall communicate the copy of the agreement to all the parties mentioned in sub-section (6) within fifteen days from the date on which the Facilitator and the parties have signed the agreement.

Effect of Agreement [Section 305]

- ☐ Notwithstanding anything contained in any provision of this Act, where an agreement is reached, under sub-section (9) of section 304, it shall be binding on both the parties, and it cannot be challenged in any authority, Tribunal or court either by the assessee or any other income tax authority.
- ☐ Every agreement, concluded under section 304 shall be conclusive as to the matters stated therein and no matter covered by such agreement shall, save as otherwise provided in this Act, be reopened in any proceeding under this Act.

Limitation for Appeal Where Agreement is Not Concluded [Section 306]

- Notwithstanding anything contained in any provision of this Act, where an agreement is not reached under this Chapter, wholly or in part, the assessee may prefer an appeal -
 - to the Appellate Commissioner of Taxes or Appellate Additional Commissioner of Taxes or Commissioner of Taxes (Appeals), as the case may be, where the dispute arises out of an order of a DCT;
 - to the Taxes Appellate Tribunal where the dispute arises out of an order of the Appellate Joint Commissioner of Taxes or Appellate Additional Commissioner of Taxes or Commissioner of Taxes (Appeals), as the case may be; and
 - to the respective appellate authority or court from where the assessee-applicant has got permission to apply for ADR.
- In computing the period of limitations for filing appeal, the time elapsed between the filing of the application and the decision or order of the ADR shall be excluded.

Explanation: For the purpose of this section, "prefer an appeal" means the revival of the appeal with an intimation in writing to the respective appellate authority.

Post Verification of the Agreement [Section 307]

The Board may monitor the progress of disposal of the application for ADR in the manner as may be prescribed and ensure necessary support and coordination services. Copies of all agreement or matter of disagreement shall be sent by the Facilitator to the respective Commissioner and Board for verification and ascertainment of whether the agreement is legally and factually correct. After receiving the copy of agreement or matter of disagreement, if it appears to the Board that the alleged agreement is obtained by fraud, misrepresentation or concealment of fact causing loss of revenue, then such agreement shall be treated as void and the matter shall be communicated to the concerned authorities, Tribunal or court for taking necessary action.

Other ADR Provisions

- Stay of proceeding in case of pending appeal or reference at Appellate Tribunal or High Court Division [Section 303]: Where an assessee has filed an application for ADR for any income year and for the same income year, the DCT has filed an appeal before the Appellate Tribunal or the Commissioner has made a reference before the High Court Division and no decision has been made in that respect by the Appellate Tribunal or High Court Division as the case may be, the proceeding of such appeal or reference shall remain stayed till disposal of the application for ADR.
- Bar on suit or prosecution [Section 308]: No civil or criminal action shall lie against any person involved in the ADR process before any court, tribunal or authority for any action taken or agreement reached in good faith.

20.6

CLO
20.5
20.6

OFFENCES AND PROSECUTION

Part 22 of the ITA, 2023, enumerated the provisions regarding criminal offences and prosecutions. According to Section 310, the provisions of this part shall be applicable in the conduct of criminal offences without prejudice to the provisions of other Acts. The provisions of this Part shall operate independently without prejudice to any other order made or to be made under this Act and shall not be a defense to the non-issue of an order by reason of limitation of time or for any other reason.

Punishment for Non-Compliance of Certain Obligations [Section 311]

A person is guilty of an offence punishable with imprisonment for a term which may extend to one year, or with fine, or with both, if he, without reasonable cause, fails to furnish information or perform the following acts-

- fails or refuses to furnish information within the time as prescribed under section 200, 201, 204, or 205;
- refuses to permit inspection or to allow copies to be taken in accordance with the provisions of section 202;
- fails to perform the duties required under section 204(2);
- fails to afford necessary facilities or to furnish the required information to an income tax authority exercising power under section 205;
- refuses to permit or in any manner obstructs the exercise of powers under section 147 or 206 by an income tax authority;
- fails to comply with the order made under section 116A(1).

Punishment for Tax Evasion [Section 312]

A person is guilty of an offence punishable with imprisonment for a term, which may extend to 5 years, but shall not be less than 6 months, or with fine, or with both, if he deliberately attempts to evade any tax payable under this Act by any means [Section 312(1)].

A person shall be deemed to have deliberately attempted to evade the tax payable under this Act, if he-

- conceals particulars of income;
- willfully furnishes false information about assets, liabilities, and expenses to reduce liability to pay income tax;
- furnishes any false statement in any return or any other documents under his possession or control, which is connected with any proceeding under this Act;
- furnishes or makes any false information, or statement, in accounts or other statements;
- intentionally omits or makes any relevant information or statement in the accounts or other statements; or
- takes any other initiative for the purpose of non-payment of income-tax payable under this Act.

Other Relevant Provisions

- *Punishment for Fake Statement Proved subject to Verification [Section 313]:* A person is guilty of an offence punishable with imprisonment which may extend to five years, but shall not be less than six months with fine, if he makes any such five years, but shall not be less than six months with fine, if he makes any such account or statement which is fake, and he knows or believes that it is fake or does not believe it to be true.
- *Punishment for fake certificate [Section 314]:* A person is guilty of an offence punishable with imprisonment which may extend to one year, but shall not be less than three months, if he signs or issues any such certificate under this Act, which he knows or believes to be fake or does not believe to be true.
- *Punishment for failure to deduct or collect Tax at Source and Deposit to the Government Treasury [Section 315]:* A person is guilty of an offence punishable with imprisonment for a term which may extend to one year, or with fine, or with both, if he, without reasonable cause, -
 - fails to deduct or collect and pay any tax as required under the provisions of Part VII:
 - fails to deduct and pay tax as required under section 221(3) [Section 315(1)].

If the amount of tax deducted, collected, or paid does not exceed taka 25,000, the provisions of sub-section (1) shall not apply [Section 315(2)]. Where a person voluntarily deducts tax under sub-section (1) before being identified by the Income tax authority, no case shall be instituted against such person for failure to deduct, collect or pay tax within the stipulated time [Section 315(3)].

The fine mentioned in sub-section (1) shall be calculated at such a rate which shall not be less than taka 100 not more than taka 500 for each day during the continuous failure [Section 315(4)].

- *Punishment for furnishing fake audited statement subject to verification [Section 316]:* A person is guilty of an offence punishable with imprisonment for a term which may extend to five years, but shall not be less than six months, if he furnishes along with the return of income or pursuant thereto any audited statement which is fake or false, or does not believe it to be true.
- *Punishment for Improper Use of Tax-payer's Identification Number [Section 317]:* A person is guilty of an offence punishable with imprisonment for a term upto one year or with fine up to Tk. 100,000 or both, if he deliberately uses or used a fake TIN or a TIN of another person.
- *Punishment for obstructing an income tax authority [Section 318]:* A person who obstructs an income tax authority in discharge of functions under this act shall commit an offence punishable with imprisonment for a term not exceeding one year, or with a fine, or with both.
- *Punishment for Disposal of Property to Prevent Attachment [Section 319]:* The owner of any property, or a person acting on his behalf or claiming under him, is guilty of an offence punishable with imprisonment for a term which may extend

- to five years, or with fine, or with both, if he sells, mortgages, charges, leases or otherwise so deals with the property after the receipt of a notice from the Tax Recovery Officer as to prevent its attachment by that Officer.
- *Punishment for non-compliance with the provisions of Section 221(7) [Section 320]:* A person is guilty of an offence punishable with imprisonment for a term which may extend to one year, or with fine, or both, if he, without reasonable cause, fails to comply with the directions required under section 221(7).
- *Punishment for Instigation [Section 321]:* A person is guilty of an offence punishable with imprisonment for a term which may extend to two years, or with fine, or both, if he knowingly aids, abets or instigates or induces any other person to commit an offence under this Act.
- *Punishment for Disclosure of Protected Information [Section 322]:* A public servant, or any person assisting, or engaged, by any person acting in the execution of this Act, is guilty and punishable with imprisonment for a term which may extend to 6 months, or with fine, or both, if he discloses any particulars or information in contravention of the provisions of section 309.
- *Further enquiry and investigation, etc. For prosecution [Section 169A]:* The Deputy Commissioner of Taxes, with prior approval of the Commissioner of Taxes, may make such enquiry and investigation, in addition to the enquiry already made under this Ordinance, as may be necessary for the purpose of prosecution of an offence under this Chapter or a tax related offence under Money Laundering Prevention Act 2012.
- *Sanction for Prosecution [Section 169]:* No prosecution for an offence punishable under any provisions of this Chapter shall be instituted except with the previous sanction of the Board.
- *Power to Compound Offences [Section 170]:* The Commissioner may, either before or after the institution of any proceedings or prosecution for an offence punishable under this Chapter, compound such offence.

Trial by Special Judge [Section 171]

- Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act V of 1898), or in any other law for the time being in force, an offence punishable under this Chapter, other than an offence under section 168, shall be tried by a Special Judge appointed under the Criminal Law Amendment Act, 1958 (XL of 1958), as if such offence were an offence specified in the Schedule to that Act.
- A Special Judge shall take cognizance of, and have jurisdiction to try, an offence triable by him under sub-section (1) only upon a complaint in writing made, after obtaining the sanction under 169, by the Deputy Commissioner of Taxes-
 - who is competent to make assessment under this Ordinance in the case to which the offence alleged to have been committed relates, and
 - whose office is situated within the territorial limits of the jurisdiction of the Special Judge.

EXHIBIT

Summary of Relevant Penalty Provisions

20.2

Nature of Default	Penalty leviable
Failure to deduct/collect tax at source, to deposit such tax into national exchequer [Sec 143]	2% of the amount of tax to be deducted, collected, or deposited per month
Failure to give notice to the DCT regarding the discontinuance of business [Section - 191(4)]	Maximum the amount of tax assessed for the immediately preceding tax year
Failure to keep, maintain or furnish information, documents, or records to the DCT as per Sec. 237	At best 1% of each international transaction value
Failure to comply with the notice or requisition u/s 235 in computing arm's length price [Section 276]	At best 1% of each international transaction value
Failure to comply with Sec 238 in filing statement of international transactions [Section - 278]	At best 2% of each international transaction value
Failure to furnish report from a CA or CMA under Section - 239 [Section - 279]	Maximum BDT 300,000
Failure to maintain accounts in prescribed manner as per Section - 72(3) (assessee does not have rental income of tangible property) [Sec. 267 (1)]	<ul style="list-style-type: none"> Maximum 1.5 times of tax liability Maximum BDT 100, where the total income is below the amount on which tax is not chargeable
Failure to maintain accounts in the prescribed manner as per Section - 72(2) (assessee has income of tangible property) [Section - 267(2)]	Higher of (a) 50% of taxes payable on house property income or (b) BDT 5,000
Failure to file return U/s 166, 172, 191, 193 or 212 [Section 266(1)]	<ul style="list-style-type: none"> 10% of tax imposed on last assessed income subject to a minimum of Tk. 1,000 Continuing default: additional penalty Tk. 50 per day during which the default continues. <p>Penalty shall not exceed:</p> <ul style="list-style-type: none"> For individual whose income was not assessed previously - Tk. 5,000 For individual whose income was assessed previously: higher of 50% of the tax payable on the last assessed income or Tk. 1,000
Failure to file return, certificate, statement or information required U/s 177, 145, 200 [Section 266 (2)].	<ul style="list-style-type: none"> Sec 177 non-compliance - Higher of 10% of the tax imposed on last assessed income or Tk. 5,000; for continuing default, a further penalty of Tk. 1,000/- for every month or fraction thereof during which the default continues; Sec 145 non-compliance - Upto Tk. 5,000; for continuing default, a further penalty of Tk. 1,000/- for every month or fraction thereof

Chapter - 20 Penalty, Appeal, Offences, & Prosecution

	during which the default continues; <ul style="list-style-type: none"> Sec 200 non-compliance - a penalty of Tk. 50,000, and in case of continuing default, a further penalty of Tk. 500/- for the default period.
Penalty for using fake TIN [Sec 268]	Not exceeding Tk. 20,000/-
Failure to pay advance tax [Sec 269]	Maximum the amount of shortfall
Failure to comply with statutory notices issued under sections 167, 168, 179, 181, 183, or 212 [Section 270]	An amount not exceeding the tax chargeable on the total income.
Failure to pay tax on the basis of return [Section 271].	Not exceeding 25% of the total or unpaid tax, as the case may be
Concealment of income or furnishing inaccurate particulars thereof or understatement of the sale value of immovable property [Section 272].	<ul style="list-style-type: none"> 15% of the evaded tax or the value of the property, as the case may be. If concealment detected after 1 year: Additional 10% for each preceding year
Incorrect or false audit report [Section 273]	Minimum: BDT 50,000; Maximum: BDT 200,000
Default in payment of tax [Section 275]	Maximum amount of arrear tax

KEY POINTS

- Penalty is imposed for non-compliance with the provisions relating to income tax as per the Income Tax Act, 2023.
- Penalty is in addition to any other liability.
- No one can be penalized unless he/she has been heard or has been given a reasonable opportunity of being heard.
- The DCT shall not impose any penalty without prior approval of the Inspecting Joint Commissioner of Taxes except in case of failure to file return.
- An assessee may prefer an appeal to the Appellate Joint Commissioner of Taxes against the order of the Deputy Commissioner of Taxes in specific grounds.
- Appeal to the Appellate JCT should be made in prescribed manner, within specific period (generally 45 days) and with a fee of Tk. 200.
- Any appeal against the order of the Tax Recovery shall be filed within 30 days from the date of service of the order.
- An assessee or the DCT can appeal against the order of AJCT or Commissioner (appeal).
- Appeal to the Appellate Tribunal should be filed in prescribed manner, within specific period (generally 60 days) and with a fee of Tk. 1,000.
- To resolve any question of law, the assessee or the commissioner may apply to the High Court Division in prescribed manner, within 90 days and with a fee of Tk. 2,000.

MULTIPLE CHOICE QUESTIONS

- Generally, who has the authority to impose penalty?
 - High Court Division
 - Appellate Tribunal
 - Deputy Commissioner of Taxes
 - Tax Recovery Officer
- Penalty shall not be imposed without the previous approval of the Inspecting Joint Commissioner except in the cases of -
 - not maintaining accounts as required
 - failure to file return
 - failure to furnish certificate
 - noncompliance with notice
- Where the assessment of tax was made by the assessee himself and it was accepted by the DCT as correct although the assessee conceal income, the maximum penalty would be -
 - 2.5 times of avoided tax
 - 3 times of avoided tax
 - 4 times of avoided tax
 - 10% of avoided tax
- Where any person has, without reasonable cause, failed to comply with any notice issued to produce accounts and documents, a penalty may impose not exceeding the amount of -
 - 2.5 times of tax liability
 - 1.5 times of tax liability
 - tax liability on total income
 - none of these
- Penalty is 25% of unpaid tax liability when the assessee -
 - not maintaining accounts as required
 - fail to pay tax on the basis of return
 - fail to furnish certificate
 - does not comply with notice
- When the assessee is not satisfied with the order of the Deputy Commissioner of Taxes, he/she may prefer an appeal to the -
 - Appellate Joint Commissioner of Taxes
 - High Court Division
 - any other head except speculation business
 - none of these
- A company can appeal against the order of the DCT in the following grounds except -
 - the amount of loss computed
 - imposition of interest under section 162
 - refusal to allow a claim to a refund
 - imposing of penalty for failure to file return
- Every appeal to Appellate Joint Commissioner shall be drawn up in such form and verified in such manner as may be prescribed and shall be accompanied by a fee of -
 - Tk. 500
 - Tk. 400
 - Tk. 300
 - Tk. 200
- How many days are allowed for any appeal against TRO's order from the date of serving the order?
 - 60 days
 - 30 days
 - 80 days
 - 90 days
- An assessee may appeal to the Appellate Tribunal if he is aggrieved by an order of -
 - an AJCT or CT (appeals)
 - the DCT
 - Appellate Division
 - High Court Division

TRUE (T) OR FALSE (F) IDENTIFICATION

- Penalty substitute tax liability.
- No penalty can be imposed without hearing.
- Like an assessee, the DCT can also appeal to the Appellate Tribunal.
- An appeal to the Appellate Tribunal should be made within 90 days from the date when the order is communicated with the assessee.
- A bench is formed in the High Court Division for hearing with at best two judges.

<input type="checkbox"/>	T	<input type="checkbox"/>	F
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DISCUSSION QUESTIONS (DQ)

- DQ20.1 State the grounds for which an assessee may penalize according to Income Tax Act, 2023
- DQ20.2 Describe how an assessee file his/her appeal and how the Appellate Joint Commissioner of Taxes undertake appeal procedure.
- DQ20.3 Describe the provisions relating to appeal to the Appellate Tribunal.
- DQ20.4 "Penalty to be without prejudice to other liability" - explain.
- DQ20.5 Miss Afroza Rahman is a regular taxpayer who is aggrieved by an order placed by the Deputy Commissioner of Taxes where she was penalized Tk. 9,750 for not maintaining accounts in the prescribed manner and Tk. 22,000 for concealment of income. Miss Rahman likes to appeal against such orders and asked for your help. Answer the followings questions asked by Miss Rahman.
- Under what circumstances can an assessee other than a company prefer an appeal?
 - To whom Miss Rahman should place the appeal?
 - When and how should she place the appeal?
 - What penalty provision is applicable for Miss Rahman's offences?
- DQ20.6 State under what circumstances an assessee prefer an appeal to the Appellate Joint Commissioner of Taxes, if the assessee is, (a) not a company (b) a company.
- DQ20.7 Explain the punishment for improper use of TIN Number, furnishing fake audit report, unauthorized employment of a non-Bangladeshi citizen, and obstructing an income tax authority
- DQ20.8 Write short note on: ☐ Penalty for non-compliance with notice ☐ Penalty for failure to file return ☐ Appeal to Appellate Division ☐ Reference to the High Court Division

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
c	b	d	c	b	a	d	d	b	a

TRUE/FALSE

1	2	3	4	5
F	T	T	F	F

SELF - REVIEW 20.1

Mr. Ahmed will be penalized according to Section 266(1) of the Income Tax Act, 2023 and the amount of penalty will be Tk. 2,950 in the said year because of his failure to file return.

Calculation of penalty:

= Tk. 2,200	
10% of Tk. 22,000*	= Tk. 1,000
or minimum	= Tk. 200
Plus (50 × 4) = Tk. 200** for default period	
Total	= Tk. 2,400

Notes:

* Tax imposed on last assessed income of Tk. 620,000 [(350,000 × 0%) + (100,000 × 5%) + (170,000 × 10%)] = Tk. 22,000

** The last date of return submission is November 30. He made delay of 4 days (from Dec 01, 2023 to Dec 04, 2023) to submit the return

SELF REVIEW 20.2

Similarities

- ☐ In both cases appeal should made in prescribed form and verified in prescribed manner
- ☐ Both the appeal shall file within 60 days from the date of order against which the appeal sought to be made. But if the authority is satisfied that there was sufficient cause for not presenting the appeal within that period then may admit an appeal after expiry of 60 days

Dissimilarities

In case of appeal to the Appellate Joint Commission of taxes a fee of Tk. 200 and in case of appeal to the Appellate Tribunal Tk. 1,000 need to be accompanies with the application of appeal. To file an appeal to the Appellate Tribunal the assessee should pay 10% of (tax based on return tax determined by the Appellate Joint Commissioner of taxes). On the other hand, no such requirement is there to file an appeal to the Appellate Joint Commissioner of taxes.

21

DTA and Tax Planning

"Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things."

— Adam Smith

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

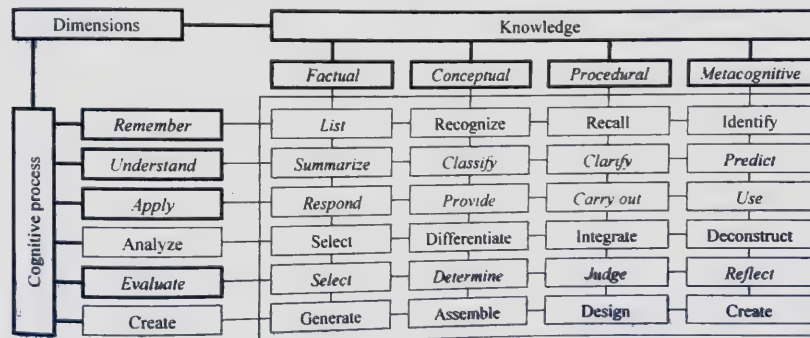
- CLO 21.1 *understand* the concept of DTA
- CLO 21.2 *apply* the methods of DTA
- CLO 21.3 *evaluate* the implications of DTA in Bangladesh
- CLO 21.4 *understand* the concept of tax planning
- CLO 21.5 *list* general principles of tax planning
- CLO 21.6 *apply* techniques and methods of tax planning in BD

KEY TERMS

Double Taxation, DTA, Exemption, Tax evasion, Tax Sparing, avoidance, Tax planning

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the four levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



21.1

CLO
21.1
21.2
21.3

DOUBLE TAXATION RELIEF/AVOIDANCE AGREEMENT

Fiscal jurisdiction is often the most aggressively guarded jurisdiction of any nation. Therefore, even in times when economies are going global and borders fading, leading to liquid movement of goods, services and capital, double taxation is still one of the major obstacles to the development of inter-country economic relations. Nations are often forced to negotiate and accommodate the claims of other nations within their heavily guarded fiscal jurisdiction by the means of double taxation avoidance agreements (DTAA), to bring down the barriers to international trade. The Fiscal Committee of OECD in the Model Double Taxation Convention on Income and Capital, 1977, defines 'the phenomenon of international juridical double taxation' as 'the imposition of comparable taxes in two or more states on the same taxpayer in respect of the same subject matter and for identical periods'.

Generally, the DTAA is a tax treaty signed between two or more countries to help taxpayers avoid paying double taxes on the same income. A DTAA is applicable in cases where an individual is a resident of one nation but earns income in another. DTAAs can be either be comprehensive, encapsulating all income sources, or limited to certain areas, e.g., taxing of income from shipping, inheritance, air transport, etc. Double tax treaties comprise of agreements between two countries to eliminate international double taxation, that promote exchange of goods, persons, services, and investment of capital. These are bilateral economic agreements where the countries concerned evaluate the sacrifices and advantages which the treaty brings for each contracting state, including tax forgone and compensating economic advantages.

Avoidance of Double Taxation Agreement is an agreement between two countries seeking to avoid double taxation by defining the taxing rights of each contracting state about cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation. It also provides for exchange of information between treaty partners regarding evasion of tax.

Classification of Double Taxation Agreements

DTAA, depending on their scope, can be classified as Comprehensive and Limited. Comprehensive Double Taxation Agreements provide for taxes on income, capital gains and capital, while Limited Double Taxation Agreements refer only to income from shipping and air transport, or estates, inheritance and gifts. Comprehensive agreements ensure that the taxpayers in both the countries would be treated equally and on equitable basis, in respect to problems relating to double taxation.

Objectives of Double Taxation Agreements

The object of a Double Taxation Avoidance Agreement is to provide for the tax claims of two governments both legitimately interested in taxing a particular source of income either by assigning to one of the two the whole claim or else by prescribing the basis on which tax claims is to be shared between them. The need and purpose of

tax treaties has been summarized by the OECD in the 'Model Tax Convention on Income and on Capital' in the following words:

It is desirable to clarify, standardize, and confirm the fiscal situation of taxpayers who are engaged, industrial, financial, or any other activities in other countries through the application by all countries of common solutions to identical cases of double taxation.

The intent behind a Double Tax Avoidance Agreement is to make a country appear as an attractive investment destination by providing relief on dual taxation. This form of relief is provided by exempting income earned in a foreign country from tax in the resident nation or offering credit to the extent taxes have been paid abroad. Hence, the objectives of DTA agreements can be enumerated in the following words:

- *First*, they help in avoiding and alleviating the adverse burden of international double taxation, by –
 - laying down rules for division of revenue between two countries;
 - exempting certain incomes from tax in either country;
 - reducing the related tax rates on certain incomes taxable in either country.
- *Secondly*, tax treaties help a taxpayer of one country to know with greater certainty the potential limits of his tax liabilities in the other country.
- *In third*, another benefit from the tax-payers stance is that, to a substantial extent, a tax treaty provides against non-discrimination of foreign tax payers or the permanent establishments in the source countries vis-à-vis domestic tax payers.

Methods of Eliminating Double Taxation

The objective of double taxation avoidance can be achieved through tax treaties employing various methods or a combination of –

- *Exemption Method*: One method of avoiding double taxation is for the residence country to exclude all foreign income from its tax base. The country of source is then given exclusive right to tax such incomes. This is known as complete exemption method and is sometimes followed in respect of profits attributable to foreign permanent establishments or income from immovable property.
- *Credit Method*: This method reflects the underline concept that the resident remains liable in the country of residence on its global income, however as far the quantum of tax liabilities is concerned credit for tax paid in the source country is given by the residence country against its domestic tax as if the foreign tax were paid to the country of residence itself.
- *Tax Sparing*: One of the aims of the Bangladesh Double Taxation Avoidance Agreements is to stimulate foreign investment flows in Bangladesh from foreign developed countries. One way to achieve this aim is to let the investor to preserve to himself/itself benefits of tax incentives available in Bangladesh for such investments. This is done through "Tax Sparing". Here the tax credit is allowed by the country of its residence, not only in respect of taxes actually paid by it in Bangladesh but also in respect of those taxes Bangladesh forgoes due to its fiscal

incentive provisions under the Bangladesh Income Tax Ordinance. Thus, tax sparing credit is an extension of the normal and regular tax credit to taxes that are spared by the source country i.e., forgiven or reduced due to rebates with the intention of providing incentives for investments.

The regular tax credit is a measure for prevention of double taxation, but the tax sparing credit extends the relief granted by the source country to the investor in the residence country by the way of an incentive to stimulate foreign investment flows and does not seek reciprocal arrangements by the developing countries.

Double Taxation Avoidance Agreements – Bangladesh Status

According to section 244 of the ITO, 1984, the Government may enter into an agreement with the Government of any other country for the avoidance of double taxation and the prevention of fiscal evasion with respect to income tax and under the corresponding law in force in that country, and may, by notification in the official Gazette, make such provisions as may be necessary for implementing the agreement.

EXHIBIT

21.1

Countries with DTA Agreement

- United Kingdom of Great Britain and Northern Ireland [227-L/80](08/07/1980)[01/07/1978]
- Singapore [124-L/82](21/04/1982)[01/01/1980]
- Sweden [382-L/83](19/10/1983)[01/07/1984]
- Republic of Korea [433-L/84](2/10/1984)[1/7/1984]
- Canada [247-L/85](06/06/1985)[01/07/1982]
- Pakistan [221-L/88](11/07/1988)[01/01/1980]
- Romania [348-L/88](23/11/1988)[01/07/1989]
- Sri Lanka [365-L/88](10/12/1988)[01/07/1989]
- France [2-L/89](04/01/1989)[01/07/1989]
- Malaysia [67-L/90](15/02/1990)[01/01/1982]
- Japan [235-L/91](06/08/1991)[01/07/1992]
- India [45-L/93](27/02/1993)[01/07/1993]
- Germany [1-L/94](01/01/1994)[01/01/1990]
- The Netherlands [268-L/24](12/3/2024)[4/6/2024]
- Italy [63-L/97](12/03/1997)[01/07/1980]
- Denmark [72-L/97](17/03/1997)[01/07/1997]
- China [114-L/97](13/05/1997)[01/07/1998]
- Poland [39-L/99](03/03/1999)[01/07/2000]
- Maldives [190-L/IT/2022](23/12/21)[01/07/22]
- Iran [40-L/IT/2023](08-10-2023)[12-02-2023]
- Oman [16-L/2009](10-05-2008)[02-02-2009]
- Belgium [11-L/98](14/01/1998)[01/07/1998]
- Thailand [222-L/98](07/09/1998)[01/07/1999]
- Philippines [56-L/2004](04-03-2004)[01-07-2004]
- Vietnam [301-L/2004](18-10-2004)[01-07-2005]
- Turkey [308-L/2005](31-10-2005)[01-07-2005]
- Norway [20-L/2006](12-02-2006)[01-07-2006]
- USA [71-L/2007](10-05-2007)[01-07-2007]
- Indonesia [60-L/2007](26-04-2007)[01-07-2007]
- Switzerland [52-L/2010](10-12-2007)[01-07-2010]
- Oman [16-L/2009](02-02-2009)[01-07-2009]
- Mauritius [267-L/2024](09-04-2024)[01-07-2012]
- Myanmar [313-L/2012](18-10-2012)[01-07-2012]
- Saudi Arabia [103-L/2012](15-04-2012)[01-10-2011]
- UAE [313-L/2012](05-09-2012)[01-07-2012]
- Belarus [189-L/2014](08-07-2014)[01-06-2014]
- Bahrain [301-L/2017](09-10-2017)[16-10-2017]
- Czech Rep. [304-L/2020](11-12-2019)[10-11-2020]
- Morocco [139-L/2021](28-02-2018)[27-05-2021]
- Nepal (Agreement signed on 05-03-2019)
- Kuwait [376-L/2018](19-02-2014)[25-12-2018]
- Hong Kong [11-L/2024](30-08-2023)[14-01-2024]

Note: The list presents country name [SRO No.] (Agreement signing date) (SRO date) [Effective assessment year, on or after, in Bangladesh]



Define Double Taxation Avoidance Agreement.

The objectives of Bangladesh DTA are as follows:

- ☐ to obtain a more effective relief from double taxation compared to relief provided under unilateral measures;
- ☐ create a favorable climate for the inflow of foreign investment into the country;
- ☐ to prevent evasion and avoidance of tax
- ☐ to make special tax incentives provided by Bangladesh fully effective for taxpayers of capital exporting countries; and
- ☐ to enhance international relationship.

Bangladesh has signed DTA with 42 countries (see exhibit 21.1): UK, Singapore, Sweden, Canada, South Korea, Pakistan, Romania, Sri Lanka, France, Malaysia, Japan, India, Germany, Netherlands, Italy, Denmark, China, Belgium, Thailand, Poland, Philippines, Vietnam, Turkey, Norway, USA, Indonesia, Switzerland, Oman, Mauritius, UAE, Myanmar, Saudi Arabia, Belarus, Bahrain, Czech Republic, Morocco, Nepal, Maldives, Iran, Oman, Kuwait, and Hong Kong till June 30, 2024. Negotiation is going on with some other countries like Egypt, Russia etc.

The foreign income of an assessee for which tax has been paid in that foreign country, is known as "Doubly taxed income". According to section 244 - 251 of the ITA 2023, the provision for tax reliefs regarding this income are as follows:

Limit of Double taxation relief		
Income from countries with DTA	Section 144 - 251	Tax calculated as per the rate in the agreement, but it will not be more than the tax amount calculated on the basis of the average tax rate applicable in Bangladesh (considering foreign income in total income) on the foreign income.
Income from countries with no DTA	Section 246	Tax calculated on such doubly taxed income at the average rate of tax of Bangladesh or the average rate of tax of the said country, whichever is lower.

Contents of a DTA between Bangladesh and Another Country

The Bangladesh model of Avoidance of Double Taxation Agreement generally consists of 29 Articles that are sequentially presented below:

1	Persons Covered	16	Director's Fees
2	Taxes Covered	17	Artists and Sportsmen
3	General Definitions	18	Pensions
4	Resident	19	Government Service
5	Permanent Establishment	20	Students and Trainees
6	Income from Immovable Property	21	Lecturers and Researchers
7	Business Profits	22	Other Income
8	Shipping and Air Transport	23	Elimination of Double Taxation
9	Associated Enterprises	24	Non-Discrimination
10	Dividends	25	Mutual Agreement
11	Interest	26	Exchange of Information
12	Royalties	27	Diplomatic Agents and Consular Officers
13	Fees for Technical Services	28	Entry into Force
14	Independent Personal Services	29	Termination
15	Dependent Personal Services		

SOLVED PRACTICAL CASES (SPC)



FOREIGN INCOME FROM COUNTRIES WITH DTA AND WITH NO DTA

Total income of Mr. Aslam for the current income year includes income from: Bangladesh Tk. 1,570,000; Sweden Tk. 600,000; Singapore Tk. 300,000; and Russia Tk. 1,000,000. The income tax rate for foreigners in Sweden is 30%, but he has paid tax @ 25% as per DTA. 20% tax has been paid in Russia for the income generated in Russia. The income of Singapore has been brought in Bangladesh through banking channel. Compute the amount of double taxation relief for the year.

Assessee: Aslam	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024
	Gross Income	Exemption Taxable
Income from Bangladesh	Tk. 1,570,000	- Tk. 1,570,000
Foreign Income: Income from Sweden	600,000	- 600,000
Income from Russia	1,000,000	- 1,000,000
Income from Singapore	300,000	Tk. 300,000 -
Total	Tk. 3,470,000	Tk. 300,000 Tk. 3,170,000

Computation of tax payable in Bangladesh

	On first Tk.			On next Tk.			On Total Tk.
	350,000	100,000	400,000	500,000	500,000	1,320,000	3,170,000
Tax rate	0%	5%	10%	15%	20%	25%	-
Tax amount (Tk.)	-	5,000	40,000	75,000	100,000	330,000	550,000
Less: Double taxation relief (notes)							294,880
Net tax payable							Tk. 280,120

Notes: (1) Average tax rate is 17.35% [i.e. (550,000 ÷ 3,170,000) × 100] (2) Tax relief for income from Russia (No DTA) @ 20% or average tax rate i.e. 17.35% whichever is lower (1,000,000 × 17.35%) = Tk. 173,500. Tax relief from income from Sweden (DTA exists) = (600,000 × 25%) = 150,000 but the maximum relief is (600,000 × 17.35%) = Tk. 104,100, whichever is lower. Total double taxation relief = 173,500 + 104,100 = Tk. 277,600

21.2

CLD
21.4
21.5
21.6

TAX PLANNING: CONCEPT AND MEANING

As we know that, tax is a compulsory payment to the state by the people of the country who come under the orbit of tax laws. But most of the assessee generally tries to minimize his tax payment through evasion as well as avoidance. Unfortunately, the terms "tax evasion" and "tax avoidance" are often used interchangeably. **Tax avoidance** is the legal utilization of the tax regime to one's own advantage, in order to reduce the amount of tax that is payable by means that are within the law. By contrast **tax evasion** is the general term for efforts to not pay taxes by *illegal* means. On the other hand, **tax planning** is a strategy of minimizing tax liability for an individual or company by analyzing the tax implications of various options throughout a tax year. Tax planning involves choosing a filing status, figuring out the most advantageous time to realize capital gains and losses, knowing when to accelerate deductions and postpone income or vice versa, setting up a proper investment plan to avail the maximum amount of tax rebate and reduce income taxes, and other legitimate tax-saving moves.

Tax planning involves conceiving of and implementing various strategies in order to minimize the amount of taxes paid for a given period. For an assessee, minimizing the tax liability can provide more money for expenses, investment, or growth. Tax knowledge has powerful profit potential. Knowing what the tax law has to offer can give an assessee a far better bottom line than his competitors who don't bother to learn. It emphasizes mainly on tax relief related activities with a view to minimizing the tax liability. In Bangladesh, the tax laws are admittedly complicated because of various deductions, exemptions, relief, and rebates. Therefore, it is only logical that taxpayers generally plan their affairs so as to attract the least incidence of tax.

General Principles of Tax Planning

There are several general principles of tax planning that apply to all sorts of assessee. These areas include the choice of accounting and inventory-valuation methods, the timing of equipment purchases, the spreading of business income among family members, and the selection of tax-favored benefit plans and investments. There are also some areas of tax planning that are specific to certain business forms—i.e., sole proprietorships, partnerships, corporations, and individual assessee. Some of the general principles of planning are:

- ☐ Tax planning strategy should be taken on the basis of existing provisions of the tax laws to achieve short-term as well as long-term benefits.
- ☐ Tax planning strategy should not exceed the legal boundary i.e., it may be used as a tool of avoiding tax, not to evade since evasion is illegal.

- Alternative investment opportunities should be critically analyzed to ensure maximum benefit in terms of investment, savings, growth, and tax advantage.
- Time value of money should be given proper importance while establishing the tax planning strategies.

Merits and Demerits of Tax Planning

Any Income Tax Act is seldom drafted with perfection and often are there scopes for enjoying the maximum benefits by avoiding the hardship of levy within the legal framework. The law allows various deductions, exemptions, rebates, reliefs etc. Advantage may be taken for all these by the assessee. Moreover, it may have some demerits as well.

Techniques and Methods of Tax Planning: Bangladesh Perspective

The Income Tax Act, 2023, provides sufficient rooms for the assessee to minimize their tax through establishing several techniques. Many aspects of tax planning are specific to certain nature of taxpayer or business forms, such as:

Techniques used by an Individual Assessee

Under the umbrella of ITA, 2023, an individual assessee can minimize his payment of tax considering the following strategies in course of his tax planning:

- *Investment in Tax free Securities:* An individual may invest his money in several types of tax-free government securities, as the interest income from such securities are fully exempted from tax. So, the investment in government securities will allow the taxpayer to increase the amount of income without any obligation of tax payment for such income.

EXHIBIT

21.2

Merits and Demerits of Tax Planning

Merits of tax planning

- Effective tax planning reduces the tendency of tax evasion by the assessee.
- It helps the assessee to minimize the tax liability.
- It helps the assessee to enhance savings which in turn also acts as a mechanism of domestic resource mobilization.
- It helps to build up an effective and efficient relationship between the taxpayer and tax authority.
- Effective tax planning improves the tax compliance behavior of an assessee.

Demerits of tax planning

- Frequent changes in tax law sometimes make some tax planning motive ineffective.
- Effective tax planning has a negative impact in fulfilling the revenue target of the tax authority.
- Inflation may hamper the tax planning benefits.
- Long-term tax planning strategy may not be effective due to various changes in tax laws as well as economic conditions of the country.



Define Tax Planning.

- *Investment in Zero Coupon Bond:* An individual may invest his money in approved zero-coupon bonds issued by various institutions, as the interest incomes from such bonds are fully exempted from tax. This is also one of the most unique tools to maximize income without any obligation of tax payment.
- *Investment in savings certificate:* An individual assessee may invest his fund in various government savings certificate. The TDS deducted is considered as final payment of tax, so no additional burden is borne by the assessee.
- *Investment in Businesses, income from which is non-assessable:* An individual assessee may start such business where the income is fully non-assessable. Such as, income from poultry, handicrafts business etc.
- *Use of loan in investment in capital assets:* An individual assessee may use loan to acquire capital assets for the business. In such a case he will not only charge depreciation as allowable expense as well as the interest on such loan.
- *Submission of separate return by the family members:* In a joint family, even in case of husband and wife, if they submit separate tax return they can avail maximum advantage of minimum non-assessable income limit which is (Tk. 350,000 + Tk. 400,000) = Tk. 750,000 in the assessment year 2024-25. Moreover, income from family property / joint owned property should be divided among the family members. This will reduce the tax burden for an individual.
- *Taking the opportunity of full tax credit:* An individual assessee should predict his / her total income for the next income year to determine the maximum limit of his investment allowance. Then, the assessee should invest in such a manner so that he can make his investment allowance more or less up to the maximum limit. The assessee will get rebate for the eligible amount of investment allowance.

Techniques used by a Business

Under the umbrella of the provisions of the ITA, 2023, a business organization, being an assessee, can minimize its payment of tax considering the following strategies in course of its tax planning:

- *Forms of Business:* Partnership firms and the companies need to pay tax separately, whereas profit of the sole-tradership business is included in the income of its owner. Some business organization can avail tax holiday scheme,

and some sectors enjoy special tax rates. So before starting the business, the entrepreneurs should consider the tax policy for a particular business.

- ☐ **Setting up recognized funds:** An organization can create recognized provident fund, group insurance scheme, benevolent fund, superannuation fund etc. which is a mechanism to avail tax advantage.
- ☐ **Availing investing opportunity having tax advantage:** An organization can invest in those areas where it can avail some tax advantage.
- ☐ **Use of debt capital:** Use of debt capital in the capital structure of an organization may be advantageous for a company as interest expense is tax deductible.
- ☐ **Investment in Business having Tax Holiday Scheme:** Money can be invested in those organizations where tax holiday facility can be availed.

So, it can be said that an effective and efficient tax planning is possible if the assessee has a proper knowledge about the tax law of a country. Careful planning may provide the assessee with maximum tax advantage.

KEY POINTS

- ☐ The Double Tax Avoidance Agreement (DTAA) is a tax treaty signed between two or more countries to help taxpayers avoid paying double taxes on the same income.
- ☐ A Double Tax Avoidance Agreement becomes applicable in cases where an individual is a resident of one nation but earns income in another.
- ☐ Double taxation avoidance agreements, depending on their scope, can be classified as Comprehensive and Limited.
- ☐ The intent behind a Double Tax Avoidance Agreement is to make a country appear as an attractive investment destination by providing relief on dual taxation.
- ☐ As on June 30, 2024, Bangladesh has signed DTA with 42 countries.
- ☐ Tax avoidance is the legal utilization of the tax regime to one's own advantage, in order to reduce the amount of tax that is payable by means that are within the law.
- ☐ Tax evasion is the general term for efforts to not pay taxes by *illegal* means.
- ☐ Tax planning is a strategy of minimizing tax liability for an individual or company by analyzing the tax implications of various options throughout a tax year.
- ☐ Effective tax planning reduces the tendency of tax evasion by the assessee.
- ☐ Tax planning is an effective tool to minimize tax burden of a taxpayer.

MULTIPLE CHOICE QUESTIONS

- Double taxation agreement is conducted under which of the following section of the ITA, 2023?
(a) 221 (b) 217 (c) 224 (d) 244
- Tax on foreign income arising from a country where Bangladesh has signed DTA is at –
(a) a rate in the agreement (b) an average rate
(c) exempted (d) lower of a & b
- Tax on foreign income from a country where Bangladesh has not signed DTA is at –
(a) a rate in the agreement (b) an average rate of the said country
(c) an average rate of Bangladesh (d) lower of b & c
- If foreign income is not brought through banking channel, the rate of tax will be –
(a) maximum rate (b) normal rate (c) average rate (d) zero rated
- As on June 30, 2024, Bangladesh has signed DTA with _____ countries.
(a) 21 (b) 30 (c) 42 (d) 45
- Which of the following sections is relevant to DTA under the ITA, 2023?
(a) 240 (b) 244 (c) 124 (d) 220
- Which of the following is illegal –
(a) Tax evasion (b) Tax avoidance (c) Tax planning (d) Tax consultancy
- What amount of dividend income from shares is exempted for an individual assessee?
(a) Tk. 15,000 (b) Tk. 25,000 (c) Tk. 35,000 (d) Nil
- What is the non-assessable limit for an individual assessee for assessment year 2024 – 2025?
(a) Tk. 250,000 (b) Tk. 300,000 (c) Tk. 350,000 (d) Tk. 475,000
- What is the non-assessable limit for a woman assessee for assessment year 2024 – 2025?
(a) Tk. 250,000 (b) Tk. 300,000 (c) Tk. 350,000 (d) Tk. 400,000

TRUE (T) OR FALSE (F) IDENTIFICATION

- DTA is applicable for reducing tax burden.
- The intent behind a Double Tax Avoidance Agreement is to make a country appear as an attractive investment destination by providing relief on dual taxation.
- Tax evasion is the general term for efforts to not pay taxes by *illegal* means.
- Tax avoidance is illegal.
- Effective tax planning reduces the tendency of tax evasion by the assessee.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ21.1 Double Tax Avoidance Agreement?
- DQ21.2 Explain the objectives of Double Tax Avoidance Agreement.
- DQ21.3 Explain the methods of eliminating double taxation.
- DQ21.4 Explain the Double Tax Avoidance Agreement status in Bangladesh.
- DQ21.5 Distinguish among tax evasion, tax avoidance, and tax planning.
- DQ21.6 Explain the merits and demerits of tax planning.
- DQ21.7 What tax planning techniques may be used by an Individual Assessee in Bangladesh?
- DQ21.8 What tax planning techniques may be used by a business in Bangladesh?

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
d	b	d	a	c	b	a	d	c	d

TRUE/FALSE

1	2	3	4	5
T	T	T	F	T

SELF-REVIEW 21.1

Double Taxation Avoidance Agreement is an agreement between two countries seeking to avoid double taxation by defining the taxing rights of each contracting state with regard to cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation. It also provides for exchange of information between treaty partners regarding evasion of tax.

SELF-REVIEW 21.2

Tax planning is a strategy of minimizing tax liability for an individual or company by analyzing the tax implications of various options throughout a tax year. Tax planning involves choosing a filing status, figuring out the most advantageous time to realize capital gains and losses, knowing when to accelerate deductions and postpone income or vice versa, setting up a proper investment plan to avail the maximum amount of tax rebate and reduce income taxes, and other legitimate tax-saving moves.

22

Value Added Tax and Supplementary Duty

"Taxes are what we pay for civilized society"
—Oliver Wendell Holmes

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

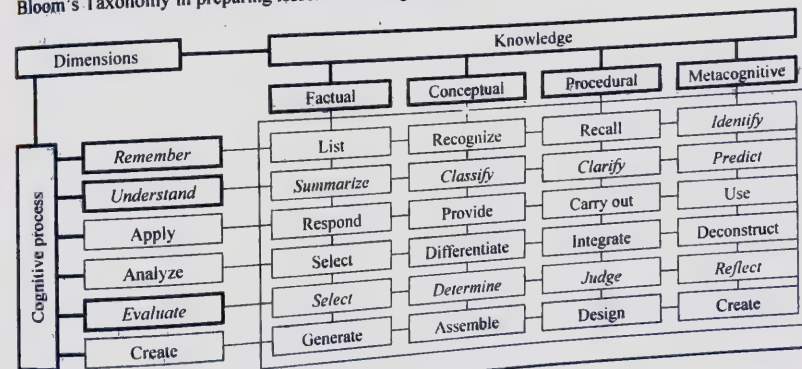
- CLO 22.1 understand the concept of value added tax
- CLO 22.2 evaluate VAT structure of Bangladesh
- CLO 22.3 justify VAT as a component of the tax structure
- CLO 22.4 elaborate the VAT mechanism
- CLO 22.5 identify VAT imposition and consequences of failure
- CLO 22.6 explain VAT collection and assessment process
- CLO 22.7 describe Supplementary duty and turnover tax

KEY TERMS

VAT, SD, Turnover Tax, Mushak-6.2, Tax Credit, Carry Forward, Invoice, non-compliance, Refund, Clearance Certificate, Enlistment, Exemption, VAT-6.1

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



22.1

CLO
22.1

INTRODUCTION

Value Added Tax (VAT) is one of the most important sources of tax revenues in Bangladesh. Since its introduction in 1991, VAT is one of the most effective and efficient tools in resource mobilization. VAT has emerged as a principal instrument of taxing domestic consumption worldwide during last four decades. Its importance is also increasing in the developing countries because of its effectiveness in mobilizing local resources. The basic advantages of VAT can be stated as its neutrality, transparency, certainty, and self-policing mechanism.

22.2

CLO
22.2

HISTORY OF VAT

The origin of VAT can be traced as far back as the writings of F Von Siemens, who proposed it in 1918 as a substitute for the then newly established German turnover tax. Since then, numerous economists have recommended it in different contexts. However, it was not until 1953 that the value-added tax system was put in place in the United States or Europe. France was the first country to begin using value-added tax to partially replace its own turnover tax system in 1954.

In 1967 the Council of European Economic Community (EEC) issued directives for widespread adoption of VAT to replace existing turnover taxes and link EEC members with a common tax system. After the directive, countries outside the EEC such as Austria, Sweden, Brazil, Greece, and Peru also adopted some variation of the VAT, either in addition to or as a replacement for their own national tax structures.

From 1987 to 1997, value-added tax was introduced in many eastern European countries, the former Soviet republics, and Asia. China, Thailand, the Philippines, and Bangladesh all implemented the policy during the mid-1990s. By the early 2000s, VAT had become a key component of the tax systems in more than 120 countries, with tax rates varying from 5 to 25 percent. Writing in *Finance and Development*, Liam Ebrill claimed that "the rapid rise of the value-added tax was the most dramatic and probably most important development in taxation in the latter part of the twentieth century, and it still continues."

22.3

CLO
22.2

EVOLUTION OF VAT IN BANGLADESH

In April 1979, the Taxation Enquiry Commission (TEC) officially took up the issue of introducing VAT in Bangladesh as an alternate to sales tax. Until 1982, sales tax was being collected under the Sales Tax Act 1951, which was replaced by the Sales Tax Ordinance 1982 with effect from 1 July 1982. The World Bank played the pioneering role in introduction of VAT in Bangladesh. A World Bank Mission visited Bangladesh for preparing an agenda for tax reform in Bangladesh in December 1986. The mission submitted its final report on 15 October 1989. The report recommended the introduction of a manufacturing-cum-import stage VAT at a single standard rate within three years. Thereafter, a Bangladesh Tax Mission visited India, Indonesia, the Philippines, and Thailand during 13 November - 04 December 1989. The Mission

submitted its report in January 1990. The government discussed the issues relating to introduction of VAT with all related private and public agencies including the various leading Chambers of Commerce and Industry from time to time. The government prepared the Value Added Tax Act 1990 (Draft) in June 1990.

Final version of the Value Added Tax Act was promulgated 31 May 1991 as a Presidential Ordinance with eight sections (relating to registration under VAT system and the appointment and powers of VAT authorities). It was made effective from 2 June 1991. The Value Added Tax Bill 1991 was introduced in the Parliament on 1 July 1991 and the Parliament passed it on 9 July 1991. With the Presidential assent to the bill on the next day it came into effect as The Value Added Tax Act 1991. The VAT Act 1991 replaced the Business Turnover Tax Ordinance 1982 and the Sales Tax Ordinance 1982 with effect from 1 July 1991.

The VAT Act 1991 was not free from limitations since its inception. Several reform measures have been taken to reduce the loopholes and limitations of the VAT System in 28 years of its tenure. During this period, a number of distortions gradually have crept into the system; namely: cascading effect, tariff value, truncated value base, Maximum Retail Price-based value, price declaration, Advance Trade VAT (ATV) at import stage, definition of services, deduction of VAT at source etc. In conformity with the sixth five-year plan (2012-16) of the government, NBR adopted a modernization plan in 2011, a component of which was reviewing of the taxation laws to eliminate these distortions and to establish standard taxation system in Bangladesh. In that process, drafting of a new VAT law took place with the assistance of IMF. It took more than two years to finalize the draft VAT Act. At last, the Value Added Tax and Supplementary Duty Act, 2012 had been passed in the Parliament in November 2012. Due to several reasons, it was not possible to implement the new act immediately and VAT Law has gone in full implementation from July 01, 2019.

22.4

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22.1

DEFINITION AND CHARACTERISTICS OF VAT

VAT is a tax, which is charged on the 'increase in value' of goods and services at each stage of production and circulation. It is levied on the added value that results from each exchange. It is also chargeable on the value of all imported goods. It differs from a sales tax because a sales tax is levied on the total value of the exchange. VAT is a simplified and transparent system of tax in which tax is levied on the value additions, at each stage in the production-distribution with provision of set-off of tax paid on earlier stage. The basic characteristics of VAT are as follows:

- ☐ VAT is a general tax that applies on goods and services both.
- ☐ It is collected at every point of sale and the tax already paid by the dealer at the time of purchase of goods (input tax) will be deducted from the amount of tax paid at the next sale (output tax).
- ☐ It is a consumption tax because it is borne ultimately by the final consumer. It is not a charge on businesses.

- It is charged as a percentage of price, which means that the actual tax burden is visible at each stage in the production and distribution chain.
- VAT is paid to the revenue authorities by the seller of the goods, who is the "taxable person", but it is actually paid by the buyer to the seller as part of the price. It is thus an indirect tax.
- It is transparent and easier.

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ADVANTAGES OF VAT

VAT is becoming popular throughout the world because of the following advantages;

- One of the best reasons for instituting a value added tax is that the system encourages personal savings and investment—principal elements of a healthy economy—by taxing only consumption.
- VAT has more revenue potential than other alternative indirect taxes.
- VAT system acts as a supplementary tax that can help make up for revenue lost due to income tax evasion. It is generally more broad-based and entails a trail of invoices that helps improve tax compliance and enforcement.
- Since VAT is carried through the retail level, it offers all the economic advantages of a tax that includes the entire retail price within its scope, at the same time the direct payment of the tax is spread out and over many firms instead of being concentrated on particular groups, such as wholesalers or retailers.
- One particular advantage is that of the widening of the tax base by bringing all transactions into the tax net. Specifically, VAT gives the government the opportunity to bring back into the tax system all those persons and entities who were given tax exemptions in one form or another by the previous regime.
- A significant advantage of the value-added form in any country is the cross-audit feature. Tax charged by one firm is reported as a deduction by the firms buying it. Only on the final sale to the consumer, there is no possibility of cross audit.
- VAT may be selectively applied to specific goods or business entities as a control mechanism. It may also effectively be used to protect local industries.
- It is more equitable and transparent.

22.6

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DISADVANTAGES OF VAT

The main disadvantages which have been identified in connection with the VAT are:

- The "value added tax" has been criticized as the burden of it relies on personal end-consumers of products and is therefore a regressive tax (the poor pay more, in comparison, than the rich).
- Revenues from a value added tax are frequently lower than expected because they are difficult and costly to administer and collect.
- VAT increases inflation. In developing countries, some businessmen seize almost any opportunity to raise prices, and VAT certainly offers such an opportunity.
- It is also argued that VAT places a heavy direct impact of tax on the labor-intensive firm compared to the capital-intensive competitor, since the ratio of

22.7

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RATIONALES IN INTRODUCING VAT IN BANGLADESH

Generation of appropriate resources for the government is essential for economic substance of any country. It is even more important for the developing countries like Bangladesh on account of the wide gap between public revenue and expenditure. Taxation is one of the major sources of public revenue to meet a country's revenue and development expenditure. Bangladesh is one of the countries having a very poor Tax-GDP ratio. Objectives behind introducing VAT in Bangladesh were as follows:

- Since VAT requires computerized records it provides for greater simplicity, transparency and authenticity in the current taxation system;
- To increase the competitiveness of Bangladeshi industry by removing the cascading effect of the traditional sale tax system;
- To consolidate the tax administration through proper integration among various tax collecting activities;
- To activate the overall economy by mobilizing more internal resources which helps in encouraging personal savings and investment; and
- To bring revenue neutrality in the long run under VAT regime that brings a consistent improvement in the tax-GDP ratio.
- To encourage a better-administered tax system that deters tax evasion.
- To avoid the problem of under valuing, as all stages of production and distribution are subject to a tax.
- To encourage taxpayers by the input tax credit ensuring better tax compliance;
- To help in fiscal consolidation for the country in bringing a steady source of revenue reducing the debt burden.

Industry experts argue that the VAT system, if enforced properly, forms part of the fiscal consolidation strategy in Bangladesh. It could, in fact, help address the fiscal deficit problem. and the revenues estimated to be collected could mean lowering of the fiscal deficit burden. Further any globally accepted tax administrative system will only help Bangladesh integrate better in the World Trade Organization regime.

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CONTRIBUTION OF VAT IN BANGLADESH

The concept of Value Added Tax (VAT) has been introduced in Bangladesh in 1991 replacing the outdated excise and sales tax regime. This shift was motivated by the argument that VAT (relative to sales tax) had a higher revenue potential, and that its collection and administration are more economic, efficient, and expedient. Despite having various limitations in the adoption process, VAT has become the single largest source of government revenue exceeding customs. Exhibit 21.1 shows a clear picture of VAT's contribution in Bangladesh economy.

EXHIBIT

22.1

Contribution of VAT in Bangladesh: Some Statistics

[Source: Bangladesh Economic Review, 2024]

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Tax - GDP ratio	7.49	8.27	8.8	9.81	9.87	8.95	8.71	8.74
Total Revenue (Cr. Tk.)	178,094	214,261	259,454	316,613	348,069	351,532	334,349	433,000
Total Tax Rev (Cr. Tk.)	155,400	192,261	232,202	289,600	313,067	316,000	299,294	388,001
VAT (Cr. Tk.)	53,913	68,675	82,713	104,797	109,846	115,217	116,994	146,227
SD (Cr. Tk.)	25,064	29,519	34,766	31,393	31,684	48,298	41,187	53,675
% of VAT to Tax R	34.69	35.72	35.62	36.19	35.09	36.46	39.09	37.69
% of SD to TR	16.13	15.35	14.97	10.84	10.12	15.28	13.76	13.83

Here, Cr. Tk.: crore taka, TR: tax revenue, VAT: value added tax, SD: Supplementary duty.

22.9 SCOPE OF BANGLADESH VALUE ADDED TAX LAW

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Rules and regulations enacted in the following laws are taken into consideration to impose value Added tax on goods and services:

- *The Value Added Tax and Supplementary Duty Act, 2012*: The Value Added Tax and Supplementary Duty Act, 2012 (47 No. Act of 2012) came into force on 1st July 2019. It has 139 sections, many sub-sections, and 3 schedules containing necessary provisions for the purpose of imposing VAT and supplementary duty.
- *The Value Added Tax and Supplementary Duty Rules, 2016*: The National Board of Revenue prepared relevant rules under the name "The Value Added Tax and Supplementary Duty Rules, 2016" in accordance with the power authorized under Section 135 of The VAT and Supplementary Duty Act, 2012. There are 119 rules under 18 chapters to be followed in the administration of the VAT Act.
- *Finance Act*: To give effect to the various proposals in the annual budget covering the areas of direct and indirect taxes, Finance Act is issued. It contains various applicable tax rates and amendments to the relevant VAT Act and Rules.
- *SRO (Statutory Regulatory Orders)*: NBR can issue circulars & SROs as needed. The provisions of these SROs are also to be considered in imposing VAT.
- *VAT Case Law*: During assessment proceedings, the judgments given by the courts regarding the interpretations of any provisions of the VAT Act may guide the assessing officers and the assessee in similar relevant circumstances.

22.10 SOME IMPORTANT FEATURES OF VAT IN BANGLADESH

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The main features of VAT in Bangladesh are as follows:

- VAT is imposed at import stage, production stage, trading stage on rendering services and on immovable property, lease, grant, license, permit, facilities, etc.;
- Turnover tax @ 4 per cent is leviable where annual turnover amount is more than Tk 50 lac but less than Tk. 3crore.

SELF - REVIEW

22.1

State the rates applicable for:

- (a) VAT
- (b) Turnover tax and
- (c) Supplementary duty?

- Bangladesh VAT Law set the four-tier VAT rates (15%, 10%, 7.5% and 5%) for different sectors. The 15% rate will be applicable only for the imported and luxury items, while wholesalers and retail sellers have to pay at the rate of 5%. Other businesses have to pay VAT at 7.5% and 10% rates.
- Only those who will pay VAT at 15% rate will enjoy rebate or refund facility.
- There is no provision for tariff value and truncated value base.
- Tax returns are to be submitted on monthly or quarterly or half yearly basis as notified by the Government.
- The new VAT Law stipulates maintenance of input-output co-efficient by the VAT payers on which base audit will be done later by the VAT authorities.
- Luxurious and socially undesirable goods are subject to supplementary duties at different rates ranging from 10 per cent to 500 per cent.

22.11 THE VAT MECHANISM

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- *'The value added' – how to measure it*: The VAT, by definition, is the tax on the value added at each stage of a production-distribution chain. The value added, in turn, can be defined in two alternative ways. First, value added is equivalent to the sum of wages to labor and profits to owners of the production factors including land and capital. Second, value added is simply measured as the difference between the value of output and the cost of inputs. These definitions of value added give rise to three major alternatives in computing the VAT.
- *Three alternatives in VAT computation*: Whatever is the method of computing the tax-base or VAT payable, final result of VAT-liability under all the following computing methods shall be equal:
 - *The Addition Method*: The value added is computed by adding all the payments that is payable to the factors of production (viz., wages, salaries, interest payments etc). If t_1 and t_2 are the rates on wages and profits respectively, then the tax liability will be $[(t_1 \times \text{wages}) + (t_2 \times \text{profits})]$.
 - *The Subtraction Method*: The tax liability at any stage is equal to the tax rate multiplied by the tax base or value added measured as the difference between the values of outputs and inputs.
 - *Tax Credit Method*: This is the most common method of the VAT computation. Under the tax credit method, a firm at any stage of the production-distribution chain charges its customers the VAT on its output, submits the tax to the treasury, and then claims for the VAT already paid on its input purchase. Let t_1 and t_2 be the tax rates on output and inputs respectively, then the tax liability is $[(t_1 \times \text{output}) - (t_2 \times \text{inputs})]$.

EXHIBIT

22.2

Computing VAT: An Illustration

Case 1: An importer imports some goods, which will be supplied to a producer. The producer will produce goods by using the imported goods and the produced goods will be supplied to a wholesaler. The wholesaler will supply the goods to a retailer who will sell it to the consumer. It is assumed that the whole distribution-process will be an unbroken one. Considering 15% VAT rate, the VAT calculation procedure is explained below.

	RM/IV	CC	Profit	Value Added	Input VAT	Output VAT	Net VAT Payable
Stage 1: Importer, Import of RM	800	-	-	800	-	120	120
Stage 2: Importer, Sale of RM to the Producer	800	100	100	200	1,000	150	30
Stage 3: Producer	1,000	800	200	1,000	2,000	300	150
Stage 4: Wholesaler	2,000	150	50	200	2,200	330	30
Stage 5: Retailer	2,200	50	50	100	2,300	345	15
Stage 6: Consumer	2,300	-	-	-	-	N/A	-
Total (Tk.)	1100	400	2,300	2,300			345

Note: Here, RM: raw material, IV: input value, OV: output value, SP: selling price, CC: conversion cost refers to the cost incurred to convert raw materials into finished goods excluding profit.

Explanation

Stage 1: The importer imported some goods at Tk. 800 (ex-VAT), on which he paid Tk. 120 VAT at 15% rate.

Stage 2: The importer employed Tk. 100 as conversion cost and Tk. 100 as profit to sell the imported goods to a producer at Tk. 1,000 (ex-VAT) and the importer collected Tk. 150 from the producer as output-VAT. The value added at import-stage before further sale, was Tk. 800 and then at the stage of further sale Tk. 200 (CCTk. 100 + profit Tk. 100). The importer paid Tk. 120 (15% of Tk. 800) at import stage and Tk. 30 at supply-stage to producer [(output VAT Tk. 150 collected from the producer - input VAT Tk. 120 paid at import-stage) or (value added Tk. 200 at supply-stage multiplied by 15% VAT)] i.e. Tk. 150 is paid to the national exchequer.

Stage 3: The producer, with his raw-material cost of Tk. 1000 (ex-VAT), employed Tk. 800 as conversion cost and Tk. 200 as profit to sell the produced goods to a wholesaler at Tk. 2,000 (ex-VAT), the producer collected Tk. 300 from the wholesaler as output-VAT. The value added at production-stage before sale, was Tk. 1000 (conversion cost Tk. 800 + profit Tk. 200). The producer paid Tk. 150 [(output VAT Tk. 300 collected from the wholesaler - input VAT Tk. 150 paid at purchase from importer) or (value added Tk. 1000 at production-stage multiplied by 15% rate of VAT)] to the Government Treasury.

Stage 4: The wholesaler, with his goods purchased from the producer at Tk. 2000 (ex-VAT), employed Tk. 150 as conversion cost and Tk. 50 as profit to sell the goods to a retailer at Tk. 2200 (ex-VAT), the producer collected Tk. 330 from the retailer as output-VAT. The value added at supply to retailer before sale, was Tk. 200 (conversion cost Tk. 150 + profit Tk. 50). The wholesaler paid Tk. 30 [(output VAT Tk. 330 collected from the retailer - input VAT Tk. 300 paid at purchase from producer) or (value added Tk. 200 at production-stage multiplied by 15% rate of VAT)] to the national exchequer.

Stage 5: The retailer, with his goods purchased from the producer at Tk. 2,200 (ex-VAT), employed Tk. 50 as conversion cost and Tk. 50 as profit to sell the goods to a consumer at Tk. 2,300 (ex-VAT), the producer collected Tk. 345 from the consumer as output-VAT. The value added at sale to consumer before sale, was Tk. 100 (conversion cost Tk. 50 + profit Tk. 50). The retailer paid Tk. 15 [(output VAT Tk. 345 collected from the

¹ Courtesy: Dr. Md. Abdur Rouf, NBR.

consumer - input VAT Tk. 330 paid at purchase from wholesaler) or (value added Tk. 100 at production-stage multiplied by 15% rate of VAT)] to the Government Treasury.

Stage 6: Thus, the overall deposit to the Government Treasury is Tk. 345 [Tk. 150 by importer + Tk. 150 by producer + Tk. 30 by wholesaler + Tk. 15] paid by the ultimate final consumer.

- **Three Types of VAT Base:** There are 3 types of VAT used around the world, each different in the ways those taxes on investment (capital) expenditures are handled. The most common is the consumption method, which allows businesses to immediately deduct the full value of taxes paid on capital purchases. The second is the net income method, which allows gradual deduction of VAT paid on capital purchases over a number of years, much like depreciation. The third type, gross national product method of VAT, provides no allowance for taxes paid on capital purchases. The name of this type of tax is derived from the fact that the tax base is approximately equal to private GNP. The consumption method is most favored among general populations because it most equally taxes income from labor and capital and promotes capital formation.

22.12 SALES TAX AND VAT

Difference between Sales Tax and Value Added Tax

CLO
22.3

Sales tax	VAT
<input type="checkbox"/> complex system	<input type="checkbox"/> simplified tax system
<input type="checkbox"/> different slabs of tax	<input type="checkbox"/> only four slabs of tax
<input type="checkbox"/> collected at one point i.e., first or last.	<input type="checkbox"/> charged at each stage
<input type="checkbox"/> no tax levied on subsequent sales	<input type="checkbox"/> tax on each value addition
<input type="checkbox"/> problems of multiple taxation	<input type="checkbox"/> a set off is for previous purchases
<input type="checkbox"/> discouragement to disclosure	<input type="checkbox"/> encouragement to disclosure

Application of Sales Tax and Value Added Tax

Application of Sales Tax	Cost	Profit	Sales Tax	Selling price
Manufacturer	Tk. 70.00	Tk. 30.00	Tk. 15.00	Tk. 115.00
Wholesaler	115.00	20.00	20.25	155.25
Retailer	155.25	24.75	27.00	207.00
Government's total tax collection			Tk. 62.25	

Note: Here, sales tax is charged @ 15% on cost plus profit. Selling price = cost + profit + sales tax.

Application of VAT:	Cost	Profit	VAT	Selling price
Manufacturer	Tk. 70.00	Tk. 30.00	Tk. 15.00	Tk. 115.00
Wholesaler	115.00	20.00	3	138
Retailer	138	24.75	3.71	166.46
Government's total tax collection			Tk. 21.71	

Note: Here, VAT is charged @ 15% on value addition (which is profit in this case).
Selling price = cost + profit + VAT.

This case shows, if sales tax and VAT are imposed on the goods whose cost is same and same rate of taxes are imposed, in case of sales tax, Government collects Tk. 62.25 but in the case of VAT the total collection by the Government is only Tk. 21.71

22.13 RELEVANT DEFINITIONS AND CONCEPTS OF VAT

CLO
22.1

Section 2 of the Value Added Tax and Supplementary Duty Act, 2012 represents the definitions of some important terms. Some of these relevant definitions are as follows.

- **Money** [section 2(5)] means any existing legal tender of Bangladesh or of any other country, and also includes the following instruments, namely –
 - negotiable instrument;
 - bill of exchange, promissory note, bank draft, postal order, money order or any other similar instrument;
 - credit card or debit card; or
 - any supply made through account credit or debit;
- **Economic Activity** [section 2(6)] means any activity carried on regularly for making supply of any good, services or immovable property, and
 - also includes the following activities, namely –
 - any business, profession, vocation, means of earning livelihood, manufacture or undertaking of any kind, whether or not for profit;
 - Supply of any good, service or property made under any lease, license, or a similar arrangement,
 - any one-off initiative in the nature of commercial activity/enterprise; or
 - any activity carried out at the beginning or at the end of such an activity;
 - but shall not include the following activities, namely –
 - any service rendered by an employee to his employer;
 - any service rendered by any director of a company; provided that the services rendered by a director, who holds the office of the directorship for the purposes of the business of the company, shall be regarded as an economic activity;
 - any recreational pursuit or hobby carried on a non-commercial basis; or
 - any prescribed activity carried on by the Government without any commercial motive;
- **Progressive or Periodic Supply** [section 2(10)] means any supply made under the condition of progressive or periodic payment of money under any agreement or lease or hire of license (including finance lease);
- **Ancillary Transport Services** [Section 2(11)] means any stevedoring services, lashing and securing services, cargo inspection services, services relating to preparation and processing of customs documentation, container handling services, and services relating to the storage and safe-keeping of transported goods or goods to be transported and any other similar service;
- **International Transport** [section 2(12)] means, except the ancillary transport services, any of the following services of transportation of any passenger or good by road, water or air from one place to another, namely –
 - from a place outside Bangladesh to another place outside Bangladesh;
 - from a place outside Bangladesh to another place within Bangladesh;
 - from a place within Bangladesh to a place outside Bangladesh;
- **International Assistance and Loan Agreement** [section 2(13)] means an agreement between the Government of Bangladesh and a foreign Government, or an international organization for rendering assistance to Bangladesh in the areas of finance, technology or administration;
- **Resident** [section 2(15)] means an individual who –
 - normally lives in Bangladesh; or
 - stays in Bangladesh for more than 183 (one hundred and eighty-two) days in a current calendar year; or
 - stays in Bangladesh for more than 90 days in a calendar year and stayed in Bangladesh for more than 365 days during the four immediately preceding calendar years; and also includes the following entity, namely –
 - a company, if it is incorporated under the prevalent laws of Bangladesh or its center of control and management is in Bangladesh;
 - a Trust, if a Trustee thereof is a resident of Bangladesh or the center of control and management of the Trust is in Bangladesh;
 - an association of persons other than a Trust, if it is formed in Bangladesh or its center of control and management is in Bangladesh;
 - all government entities; or
 - a property development joint venture;
- **Import** [section 2(16)] means bringing in any good from outside to within the geographical boundary of Bangladesh;
- **Imported Service** [section 2(17)] means service supplied outside of Bangladesh;
- **Electronic Service** [section 2(18)] means the following services, when provided or delivered on or through a telecommunications network, a local or global information network, or similar means, namely –
 - websites, web-hosting, or remote maintenance of programs and equipment;
 - software and the updating thereof delivered remotely;
 - images, texts, and information delivered;
 - access to databases;
 - self-education packages;
 - music, films, and games; and
 - political, cultural, artistic, sporting, scientific and entertainment broadcasts and telecasts and events, including telecasts;
- **Inputs** [section 2(18A)] means all types of raw-materials, laboratory reagent, laboratory equipment, laboratory accessories, any substance used as fuel, packing material, service, machinery and spares; but the following goods and services shall not be considered as inputs, viz: –

- Labor, land, structure, office equipment and fixture, construction, balancing, modernization, replacement, expansion, repair and renovation of any building or structure or establishment;
- Purchase and repair of all kinds of furniture, office supply, stationary items, refrigerator/freezer, air conditioner, fan, lighting equipment, and generator;
- Interior design, architectural plan and drawing;
- Purchase, rent or lease of vehicles;
- Travel, entertainment, staff welfare, development works, and goods and services related to these;
- Rent of premises, office, showroom or similar place of business establishments in whatever name it is called;

Provided that goods imported, purchased, acquired or collected in any other means for the purpose of sale, exchange or handover in any other way shall be considered as “inputs” in the case of conduct of business by a “trader” mentioned in paragraph (3) of the 3rd schedule.

- **Input Tax** [section 2(19)] means the value added tax (excepting advance tax) paid by any registered person at import stage against imported goods and services as inputs and value added tax paid against goods or services purchased or collected from local sources as inputs;
- **Output Tax** [section 2(20)] means the value added tax & supplementary duty payable by any registered person for the following activities, namely –
 - supply of any taxable good, service or property by such person; or
 - import of any taxable service by such person;
- **Withholding Entity** [section 2(21)] means –
 - a government entity;
 - a non-government organization approved by the NGO Affairs Bureau or the Directorate-General of Social Welfare;
 - a bank, insurance company or a similar financial institution;
 - a post-secondary educational institution;
 - a public limited company; or
 - Any individual or organization with annual turnover exceeding Tk. 10 crore.
- **Withholding Certificate** [section 2(22)] means a certificate in respect of an amount of tax withheld at source;
- **Commissioner** [section 2(23)] means, when the word is used singly, an officer appointed to the position of Commissioner under section 78 of this Act;
- **Tax** [section 2(24)] means VAT, turnover tax, supplementary duty, and shall, in relation to realization of arrears, also include any interest, monetary penalty/fine;
- **Taxpayer** [section 2(26)] means a person who pays tax under this Act, and it also includes a withholding entity;
- **Tax Assessment** [section 2(27)] means an assessment of net payable tax by any taxpayer under chapter fifteen;
- **Tax Fraction** [section 2(29)] means the amount of money arrived at in accordance with the formula: $[(R/(100 + R))]$ where R is the VAT rate specified in Sec. 15(3);

- **Tax Period** [section 2(30)] means –
 - for VAT and supplementary duty, one month of the Christian Calendar; or
 - in relation to turnover tax, every three-month period ending on 31 March, 30 June, 30 September or 31 December;
- **Taxable Import** [section 2(31)] means any import, other than an exempt import;
- **Taxable Supply** [section 2(32)] means any supply in the process of any economic activity excepting exempted supply;
- **Tax Rate** [section 2(33)] means, depending on the context, –
 - VAT rate specified in section 15(3);
 - supplementary duty rate specified in section 55(4); or
 - turnover tax rate specified in section 63(1);
- **Tax Benefit** [section 2(34)] means any one of the following benefits, namely –
 - a reduction in the output tax liability;
 - a reduction in the VAT liability on an import of goods;
 - an increase in an excess money carried forward or a reduction in the payable tax amount;
 - an increase in the entitlement to a decreasing adjustment;
 - a decrease in an increasing adjustment;
 - a refund of tax;
 - deferment of an output tax or acceleration of an input tax credit entitlement;
 - a delay in accounting for output tax or an increasing adjustment or an acceleration of entitlement to an input tax credit or other decreasing adjustments;
 - conversion of an original and actual taxable supply or import into a non-taxable supply or import;
 - creating a right to an input tax credit in relation to an original and actual import or acquisition which would not otherwise be allowed; or
 - showing a less-than-actual turnover by a taxpayer;
- **Proceeding** [section 2(35)] means any proceeding or activity undertaken by concerned officer under this Act, but does not include any activity relating to offence mentioned in Chapter Sixteen;
- **Lay-By Agreement** [section 2(36)] means an agreement of a sale or purchase, under which consideration of any supply is paid by more than one installment;
- **Centrally Registered Unit** [section 2(37)] means centrally registered in accordance with Section 5;
- **Company** [section 2(38)] means an entity incorporated as a company under any law prevailing in Bangladesh or in any other country;
- **Credit Note** [section 2(39)] means a document issued by a taxpayer in support of a decreasing adjustment;
- **Invoice** [section 2(40)] means any document relating to the liability of the payment of consideration;
- **Penalty** [section 2(41)] means a monetary penalty imposed by a VAT Officer u/s 85, but not include a fine imposed by a court of Law on the trial of an offence;

- *Turnover* [section 2(42)] means, in relation to a person, all the money received or receivable by such person within a prescribed time or tax period against the supply of taxable goods or the rendering of taxable services manufactured, imported or purchased by means of his economic activities;
- *Debit Note* [section 2(44)] means a document issued by a taxpayer in support of an increasing adjustment;
- *Person Required to be Enlisted* [section 2(47)] means any person required to be enlisted for turnover tax under section 10(1);
- *Enlistment Threshold* [section 2(48)] means the limit of Tk. 50 lakh as turnover of an economic activity of any person in a 12 (twelve)- month- period, but does not include the following, namely, the value of –
 - an exempted supply;
 - sale of a capital asset;
 - a sale of an organization of economic activities or any portion thereof; or
 - a supply made from permanently closing down an economic activity;
- *Document* [section 2(49)] would mean to include the following things, namely –
 - anything expressed or stated with the help of letters, numbers, symbols or signs on paper or any other like material; and
 - any electronic data, computer programme, computer tape, computer disk, or any other similar device that can hold data;
- *Fixed Place* [section 2(52)] means any of the following places at or through which economic activities inside or outside Bangladesh are carried on, namely –
 - a place of management;
 - a branch, an office, a factory, or a workshop;
 - a mine, a gas well, a quarry for extraction of stones or any other similar mineral resource; or
 - a location of any construction or installation project;
- *Person Required to be Registered* [section 2(55)] means any person required to be registered for VAT under section 4;
- *Registration* [section 2(54)] means the VAT registration under section 6;
- *Registered Person* [sec 2(56)] means any person registered for VAT under sec. 6;
- *Registration Threshold* [section 2(57)] means the limit of Tk.3 (three) crore as turnover of an economic activity of any person in a 12 (twelve)- month period, but does not include the following, namely, the value of –
 - an exempted supply;
 - sale of a capital asset;
 - a sale of an organization of economic activities or any portion thereof;
 - a supply made as a consequence of permanently closing down an economic activity;

Provided that, the registration threshold shall not apply while registering any person U/s 4(2)(Gha).

- *Fair Market Price* [section 2(58)] means –

- the consideration for a supply arrived at on the basis of a normal relation between a buyer and a seller, who are not associated with each other;
 - if it is not possible to arrive at a fair market price as prescribed in the clause above, it would then be the consideration of a similar supply made previously under similar circumstances;
 - if it is not possible to arrive at a fair market price by the above means, it may be determined by the Board on the basis of an impersonal average of considerations arrived at in the course of normal business relations among buyers and sellers, who are not associated with one another;
- *Consideration* [section 2(59)] means the money paid or payable, whether directly or indirectly, against a supply, or the fair market price of a thing paid or payable in lieu of cash, and also includes the money realized or realizable on the following accounts, namely –
 - any tax imposed under this or any other Act that is –
 - payable by the supplier on, or by reason of, a supply; and
 - included in, or added to, the price charged to the recipient;
 - any money realized as service charge; or
 - any money payable in relation to a loan agreement under finance lease or hire purchase and included in the consideration for supply of goods under hire purchase or finance lease;
 - but does not include any discount in price given at the time of a supply;
 - *Goods* [section 2(60)] means, other than share or stock or security or money, all kinds of tangible movable property;
 - *Supply of Goods* [section 2(61)] means –
 - The transfer of right of goods through sale, exchange, or sale otherwise; or
 - giving the right to use the good on lease, rent, installment, hire purchase or by other means, and it also includes the supply of goods under finance lease;
 - *Deemed Export* [section 2(62)] would mean to include one or more of the following supplies, namely –
 - supply of any goods or service in a prescribed manner against foreign exchange and destined for consumption outside Bangladesh;
 - supply of any good or service within the territory of Bangladesh against foreign exchange in prescribed method through an international tender; or
 - supply of any good or service within the territory of Bangladesh against foreign exchange in prescribed method under cover of a local letter of credit;
 - *Representative* [section 2(63)] means – for a
 - mentally or physically challenged individual, a guardian or a manager appointed by him;
 - company other than a company in liquidation, the chief executive officer or any other officer or representative appointed by him, of the company;
 - partnership, a partner thereof;
 - Trust, any Trustee of the Trust or an executor or administrator of such Trust;

- an association of persons, its chairman, secretary or the treasurer;
 - government entity, the chief executive officer or any other officer or representative appointed by him, of the entity;
 - foreign government, an officer appointed by such foreign government;
 - non-resident, any VAT Agent appointed by him;
 - any other prescribed representative; or
 - any VAT Consultant appointed by any person.
- *Net Payable Tax* [sec 2(64)] means the tax assessed in any tax period U/s. 45;
- *Manufacturing* [section 2(65)] means –
- transforming or reshaping of any substance by processing individually or in combination with any other substance, material or components of production for changing, transforming or reshaping it into a different specific substance or good so that it becomes useable differently or specifically;
 - any incidental or related processes required to complete the production of goods;
 - any printing, publication, lithography or engraving processes;
 - any assembling, mixing, cutting, liquefaction, bottling, packaging or repackaging; or
 - all processes adopted for production or manufacture of goods, including intermediary or an incomplete process;
- *Arrear Tax* [section 2(68)] means the arrear tax specified in section 95;
- *Bill of Entry* [section 2(70)] means the bill of entry as defined in section 2(c) of the Customs Act;
- *Increasing Adjustment* [sec 2(71)] means any of the following adjustments, e.g., –
- an increasing adjustment in respect of withholding tax;
 - an increasing adjustment required for an annual re-calculation;
 - an increasing adjustment if payment is not made through banking channels;
 - an increasing adjustment for goods put to a private use;
 - an increasing adjustment on being registered;
 - an increasing adjustment on cancellation of registration;
 - an increasing adjustment for a change in the VAT rate;
 - an increasing adjustment for unpaid VAT amount in any earlier periods;
 - an increasing adjustment for the payment of any interest, fine, monetary penalty, fee, accrued tax etc.; or
 - any other prescribed increasing adjustment;
- *Large Taxpayers' Unit* [sec 2(72)] means any unit formed under section 78(3);
- *Board* [section 2(73)] means the National Board of Revenue established by the National Board of Revenue Order, 1972 (P.O. No. 76 of 1972);
- *Person* [section 2(74)] means any natural person, and also includes a company; an association of persons; a government entity; a foreign government or a department designated, or any official appointed, by it; an inter-state or international organization; or a joint venture for property development or any other similar initiative; or other business organization.

- *Association of Persons* [section 2(75)] means any partnership, Trust or any similar association of persons, but does not include any company or unincorporated joint venture;
- *Business Identification Number* [section 2(76)] means a unique business identification number mentioned in the VAT registration certificate or turnover tax certificate issued to a registered or enlisted person;
- *Services Directly Related to Land* [section 2(77)] means –
 - services rendered directly on land;
 - services of experts and estate agents rendered to specific pieces or areas of land; and
 - services relating to construction work undertaken, or to be undertaken, on specific piece or pieces of land;
- *Value* [section 2(78)] means –
 - the value of import specified in section 28; or
 - the value of supply specified in section 32;
- *Value Added Tax or VAT* [sec 2(79)] means the value added tax imposed U/s. 15;
- *Value Added Tax Authority* [sec 2(80)] means the authority specified in sec 78;
- *Value Added Tax Officer or VAT Officer* [section 2(81)] means any officer specified in section 78(1);
- *Export* [section 2(82)] means any supply from inside to outside the geographical limits of Bangladesh in exchange of foreign currency, and also includes a deemed export;
- *Zero-rated Supply* [sec 2(86)] means any supply as zero-rated under sec 21;
- *Adjustment Event* [section 2(87)] means any of the following events, namely –
 - cancellation of any supply;
 - alteration of the consideration for any supply;
 - return of any supplied good, in part or in full, to the supplier;
 - conversion of a supply into a zero-rated or an exempted one as a result of an alteration in the nature of such supply; or
 - any other prescribed event;
- *Joint Venture for Property Development* [section 2(88)] means an agreement under which a land owner commits himself to a builder under certain terms and conditions for constructing a building or buildings on his land;
- *Supplementary duty* [sec 2(89)] means the supplementary duty imposed U/s 55;
- *Goods Subject to Supplementary Duty* [section 2(90)] means any good specified in the second schedule;
- *Services Subject to Supplementary Duty* [section 2(91)] means any service specified in the second schedule;
- *Government Entity* [section 2(93)] means –
 - a government or any of its ministries, divisions, or attached departments;
 - a government or any of its ministries, divisions, or attached departments;
 - a semi-government entity or an autonomous body;
 - a state-owned enterprise; or
 - a local authority, council, or a similar organization;

- *Supply* [section 2(94)] means
 - a supply of goods;
 - a supply of immoveable property;
 - a supply of services; or
 - a combination of the supplies of the above clauses (a) (b) and (c);
- *Time of Supply* [section 2(96)] means -
 - in relation to supply of goods, the time when the possession of the goods are conferred or they are removed;
 - in relation to supply of services, the time when the services are rendered, generated, transferred or assigned; or
 - in relation to supply of any immovable property, the time when the property is delivered or created or transferred or assigned;
- *Associate* [section 2(97)] means such a relation between two persons as would make one act or reasonably expected to act in accordance with the intention of the other, or make both act or reasonably expected to act in accordance with the intention of a third person, and it also includes the following persons, -
 - A partner of a partnership;
 - a shareholder of a company;
 - a Trust and a beneficiary of such Trust; or
 - a joint venture for property development and the landowner as a partner of that joint venture, builder, or other related person; or
 - representative/VAT agent/distributor/licensee/person of similar relationship;

but provided that persons with employment relations shall not be included in it.
- *Second Hand Goods* [section 2(98)] means such a good as has been used before, but does not include any precious metals or any good made out of such precious metal (such as: gold, silver, platinum or any other similar metal), and diamond, ruby, emerald or sapphire;
- *Service*[section 2(99)] means any service but does not include any good, immovable property and money;
- *Supply of Service* [section 2(100)] means such a supply as is not a supply of good, money, or immovable property, which, without prejudice to the generality, shall include the following, namely-
 - a grant, assignment, termination, or conferment of a right;
 - making a facility, an opportunity, or an advantage available;
 - an agreement to perform an act, to refrain from performing an act or accepting a situation or to tolerate an act or a situation; and
 - the issuance, transfer or conferment of a license, permit, certificate, concession, authorization, or a similar right;
- *Immovable Property* [section 2(101)] means title or right on immovable property where irrespective of whether land or any building established on land or any structure permanently attached or established on it or not;
- *Supply of Immovable Property* [sec 2(102)] means to include the supplies of -
 - an interest in, or right over, land;

- a personal right of an invitation to confer a right or interest on land;
 - issuance of a license to occupy land including supply of residential accommodation or a contractual right exercisable over, or regarding, land;
 - a right to acquire anything mentioned in above clauses or the option to exercise that right in future;
- *Decreasing Adjustment*[section 2(103)] means any of the following decreasing adjustments, viz:-decreasing adjustment -
- of the money paid as advance tax;
 - of tax deducted at source against supply made by supplier;
 - applicable as a result of annual recalculation or audit;
 - for issuance of credit note;
 - for input tax paid in case of export;
 - in case of decrease in VAT rate;
 - claimed for a negative net amount carried forward from a previous period;
 - for VAT overpaid in previous tax period; or
 - any other prescribed decreasing adjustment.

22.14 VAT REGISTRATION AND TURNOVER TAX ENLISTMENT

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Chapter Two (section 4 to section 14) of the Value Added Tax and Supplementary Duty Act, 2012 enumerates the provisions regarding VAT registration and turnover tax enlistment. Moreover, Chapter Two (Rule 3 to Rule 15) of the Value Added Tax and Supplementary Duty Rules, 2016 depicts relevant rules in this regard. There are three types of VAT registration, mandatory registration, voluntary registration and Registration or enlistment done by the Commissioner. Suo Moto (i.e. on his own).

Mandatory VAT Registration

- *Persons requiring to be VAT registered* [section 4]:
- Each of the following persons shall, from the first day of a month, become eligible for VAT registration, namely-
 - a person whose turnover exceeds the registration threshold (i.e. Tk. 3 crore) within a 12-month period closing at the end of the month preceding that month; or
 - a person whose estimated turnover exceeds the registration threshold (i.e., Tk. 3 crore) within the succeeding 12-month period beginning at the start of the preceding month.

Note: VAT registration is required if turnover exceeds Tk. 3 crore in each 12 months period as per section 2(57) of the VAT & SD Act, 2012.

- Notwithstanding anything contained in above sub-section, every person carrying on the following economic activities, has to take VAT registration irrespective of turnover, if he -
 - supplies, manufactures or imports goods or services subject to supplementary duty in Bangladesh;

- supplies goods or service or both by participating in any tender or against any agreement or work order;
- is engaged in the business of import-export;
- establishes branch/liaison/project office of any foreign organization;
- appointed as VAT Agent;
- is engaged in the economic activity relating to the supply, manufacture or import of any specific goods or service or in any specific geographical area prescribed by the board.

□ **Pointers for determining Threshold limit for Registration or Enlistment:**

- The eligibility of a person for Registration or Enlistment depends on his turnover amount of twelve months period.
- Turnover means, in relation to a person, all the money received or receivable by such person within a prescribed time or tax period against the supply of taxable goods or the rendering of taxable services manufactured, imported or purchased by means of his economic activities [section 2(42)].
- Value of the following will be excluded in computing turnover[sec 2(48)]:
 - an exempted supply;
 - sale of a capital asset;
 - sale of an organization of economic activities or any portion thereof; or
 - supply made from permanently closing down an economic activity;
- Whether a person is eligible for enlistment or registration, the following provisions will be applicable for the *turnover amount* of 12 months period:

below Tk. 50 lac	Not eligible for enlistment or registration
> Tk. 50 lac but < Tk. 3crore	Eligible for enlistment for turnover tax as per section 2(48)
Exceeds Tk. 3crore	Eligible for VAT registration as per section 2(57)

▪ **When a person is eligible for VAT registration?**

Each person has to evaluate his eligibility for enlistment or registration through computing his turnover on a regular basis (in each month). In this regard he has to calculate his turnover amount of twelve-month period. According to section 4(1), a person shall, from the first day of a month, become eligible for registration or enlistment, on the basis of his turnover of 12-month period. Two types of turnover can be considered in this regard:

- **Actual Turnover** within a 12-monthperiod closing at the end of the month preceding that month. [e.g. If person checks his eligibility on July 01, 2022, he has to calculate his actual turnover of the period July 01, 2021 to June 30, 2022]
- **Estimated Turnover** within the succeeding 12-monthperiod beginning at the start of the preceding month[e.g. If person checks his eligibility on

July 01, 2022, he has to calculate his estimated turnover of the period June 01, 2021 to May 31, 2022]

□ **Registration [section 5]:**

- If any person preserves, using software based automated system, in the central unit all accounts, tax deposit and records of economic activity relating to the supply of identical or similar goods or service or both from one or more places, then, he may take one VAT registration in prescribed methods and conditions in the above address of accounts maintenance.

Provided that in spite of the supply of identical or similar goods or services, if accounts, tax deposit and records of economic activities of a unit is maintained separately, then it has to take separate registration[section 5(1)].

- Notwithstanding anything contained in sub-section (1), central registration will not be applicable for the supply of tobacco products on special schemes U/s 58 [Section 5(1A)].
- The Board may formulate rules for the purpose of taking central registration and payment of tax[Section 5(1B)].
- Notwithstanding anything contained in sub-section (1), if any person conducts economic activity relating to the supply of different goods or service or both from two or more places, then, he has to take separate registration for each place [Section 5(2)].
- Exchange or movement of goods or service from one central unit to another unit of the person registered under sub-section (1) shall not be treated as supply and consequently, there shall arise no output tax liability or no input tax credit claim [Section 5(3)].

□ **Procedure of VAT Registration [section 6]:**

- Every person required to be registered shall make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned officer for VAT registration [section 6(1)].
- The concerned officer shall, after registering such person within such time, on such terms and in such manner as may be prescribed, issue a VAT registration certificate containing a business identification number [Sec6(2)]
- If the application under sub-section (1) is not made as required under law, the concerned officer shall inform the matter in writing to the applicant in such manner as prescribed [Section 6(3)].

□ **Application for Registration and Issuance of Registration [Rule 4]:**

- Each person who has obligation to take registration, prior to the passage of 15 (fifteen) days from the day on which obligation for registration has been transpired shall submit application for VAT registration to the concerned Divisional Officer in "Mushak – 2.1" Form [Sub-Rule (1)].
- To fulfill the purposes of Sub-Rule (1), application may be submitted to the following places [Sub-Rule (2)], viz:

- ☐ In online to the VAT online system of the Board;
 - ☐ In any service center convenient for the applicant determined by Customs, Excise and VAT Commissionerate or Divisional Office;
 - ☐ In any service center designated by the Board or by the respective Commissioner;
 - ☐ In any fair conducted by the Board or by the respective Commissioner;
 - ☐ In any other place designated by an order of the Board.
- In case of application under Clause (b) to (e) of Sub-Rule (2), the application has to be sent to the VAT online system within the following working day of the submission of application.
 - If the Divisional Officer finds it proper after primary verification of the information contained in the application received, he will register him within 3 (three) working days and issue a Value Added Tax Registration Certificate in favor of him in "VAT-2.3" Form containing a Business Identification Number.

Provided that, if the Divisional Officer finds information contained in the application received not satisfactory with the Rules, he will notify the applicant mentioning the reasons specifically within 3 (three) working days.

- Notwithstanding anything contained in these Rules, for import or export of such persons whose registration or enlistment is not obligatory under the Act, including tax refund under section 71 and section 31(4) of the Act, casual Business Identification Number can be given with assistance from Customs system.

Voluntary VAT Registration

☐ Voluntary VAT Registration [section 8]:

- If a person desires to be registered notwithstanding having the obligation to have such registration under Section 4, may voluntarily make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned VAT Officer for VAT registration.
- The concerned official shall, after registering such person within such time, on such terms and in such manner as may be prescribed, issue a VAT registration certificate containing a Business Identification Number.
- Voluntary registered person shall be obliged to comply with all the obligations under this ACT like any other registered person and a voluntarily registered person shall not be entitled to apply for cancellation of registration prior to expiration of one year from the date of registration.

☐ Rules to be followed regarding Voluntary VAT Registration [Rule 6]:

- If a person wants to have voluntary registration under section 8(1), he will apply to the Divisional Officer in accordance with Sub-Rule (1) of Rule 4.
- An application for voluntary registration shall be disposed of as per the procedure described in Rule 4.

- A person registered voluntarily-
 - ☐ Shall pay tax from the first day of the next tax period following the date of his registration; and
 - ☐ Shall preserve the records and accounts in accordance with the method described in Rule 95.

Registration or Enlistment, Suo Moto (i.e., on His Own)

- ☐ Registration or enlistment, suo moto, of persons required to be registered or enlisted [sec 12]: If, after proper enquiry, the concerned officer is satisfied that a person was required to be registered or enlisted but failed to make an application for such registration or enlistment, he shall, suo moto, register such person for VAT or enlist him for turnover tax and issue the appropriate certificate.
- ☐ Rules regarding the Registration or enlistment done by the Divisional Officer on his own [Rule 7]:
 - The Divisional Officer shall register or enlist a person on his own initiative and issue registration or enlistment certificate under section 12 who is eligible for VAT registration or Turnover Tax enlistment.
 - The Divisional Officer shall register or enlist on his own initiative based on information obtained from proper enquiry and make it effective from the date when the need for registration or enlistment has arisen [Rule 7(2)]
 - The person described in Sub-Rule (2) shall pay tax and arrear if applicable from the date made effective under Sub-Rule (2).
 - If the Divisional Officer fails to collect required information for the determination of annual turnover in case of enlistment under Sub-Rule (2) for non-cooperation of the concerned person, he will register the person on the basis of the information available with him and will issue in his favor a VAT registration certificate containing business identification number.
 - The Divisional Officer shall enlist or register all persons and organizations worth of being enlisted or registered located under his jurisdiction.

Cancellation of VAT Registration

☐ Cancellation of VAT Registration [section 9]:

- If a registered person refrains from carrying on his economic activities, he may make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned officer for the cancellation of VAT registration [section 9(1)].
- A person, who continues to make taxable supplies, but does not require to remain registered any more, may, within such time, on such terms and in such manner as may be prescribed, may apply to the concerned officer for the cancellation of his registration.
- The concerned officer may, within such time, on such terms and in such manner as may be prescribed, cancel the VAT registration.

- If a registered person does not apply for the cancellation of VAT registration under sub-section (1), and if it appears to the concerned officer, on appropriate enquiry, that the VAT registration of such person is liable to be cancelled, he shall issue an order directing such person to make an application for the cancellation of VAT registration; and if no such application is made in accordance with such order, the concerned officer may, suo moto, cancel the VAT registration of such person.
 - If, after the cancellation of a Value Added Tax registration of a person, it appears to the concerned officer that such person is required to be enlisted, then he may, suo moto, or upon an application, enlist such person as a turnover taxpayer.
 - Where registration of a registered person is cancelled, he shall –
 - without much delay, refrain from using or issuing any tax invoice, withholding certificate, credit note, debit note, etc.; and
 - return the VAT registration certificate, and all certified copies thereof, to the Commissioner within such time as may be prescribed, and pay the arrear taxes, and file a final VAT return.
 - Upon obtaining online registration by any person, the concerned official:
 - Shall conduct physical verification of the applicant's address, existence and economic activities as mentioned in the application form for registration and shall verify other information;
 - Following verification, if the applicant's address or existence is not found or important information proves to be untrue, then the concerned official shall take action based on prescribed conditions and methods.
- **Relevant Rules regarding Cancellation of VAT Registration [Rule 8]:**
- Any registered person may apply for cancellation of VAT registration to the Commissioner in form "VAT-2.4", if [Rule 8(1)] –
 - he fails to commence economic activity following registration;
 - he closes his economic activity;
 - his economic activity has been declared as exempted; or
 - his annual turnover falls below the limit of registration for two consecutive years.
 - If any application is filed under Sub-Rule (1), the Commissioner after proper enquiry about the matter [Rule 8(2)] –
 - if he considers the reasons for the cancellation of registration to be proper, shall suspend the registration temporarily and make him informed; or
 - if he does not consider the reasons for the cancellation of registration to be proper or if the application is incomplete or if for any other reason deems that it is not proper to cancel the registration, he will suspend the registration temporarily or take any other decision by giving the person an opportunity of being heard and inform him.

- Within 15 (fifteen) days of the temporary suspension of registration under Sub-Rule (2), the registered person shall complete all the procedures according to section 9(6) [Rule 8(3)].
- Within 15 (fifteen) days of submission of final return under Sub-Rule (3), if the information contained therein are found to be proper following its verification, the Commissioner shall cancel the registration [Rule 8(4)].
- In case of registration cancellation for the reason described in Clause (d) of Sub-Rule (1), if it is seen that his annual turnover is below registration threshold but above enlistment threshold, the Commissioner shall enlist him for Turnover Tax after cancellation of VAT registration.
- After proper enquiry if the Commissioner is satisfied for valid reasons that any person is not required to remain registered as Value Added Tax payer any more, he shall cancel his VAT registration after giving him a proper opportunity of being heard [Rule 8(6)].
- In spite of enquiry done under Sub-Rule (4) or investigation made under Sub-Rule (6), if it is discovered after the cancellation of the VAT registration that under the law there is an arrear payment due from that person or an offense has transpired, the relevant provision of the Act shall apply with regard to that person as if he is a registered person.

Enlistment and its Cancellation

□ Persons required to be enlisted and their enlistment [section 10]:

- If a person, carrying on an economic activity, exceeds at the end of any quarter of a 12-month period, the enlistment threshold, but does not exceed the registration threshold, such person shall make, within 30 (thirty) days from the end of such a quarter, on such terms and in such manner as may be prescribed, an application to the concerned officer for enlistment as a turnover taxpayer. *Note that the enlistment for turnover tax is required if turnover exceeds the enlistment threshold of Tk. 50 lac [section 2(48)] but does not exceed the registration threshold Tk. 3 crore [section 2(57)] in each 12 months period under the VAT & SD Act, 2012.*
- The concerned officer shall, after enlisting such person as a turnover taxpayer within such time, on such terms and in such manner as may be prescribed, issue a turnover tax certificate containing a business identification number.

In this case the person evaluates his eligibility for enlistment for turnover tax on quarterly basis. According to English Calendar year there are four Quarters, (1) January 01 to March 31; (2) April 01 to June 30; (3) July 01 to September 30; and (4) October 01 to December 31.

Example: If at the end of Quarter 3 of 2023 (i.e. at the end of September 30, 2023), a person wants to evaluate his eligibility for enlistment for turnover tax, he will calculate his turnover for the 12-month period (October 01, 2022 to

September 30, 2023). If it exceeds Tk. 50 lac but does not exceed Tk. 3 crore, he has to apply for the enlistment for turnover tax within 30 (thirty) days from the end of such quarter (i.e. within October 01, 2023 to October 30, 2024). If, the turnover amount exceeds Tk. 3 crore, he has to apply for VAT registration u/s 4.

- **Cancellation of enlistment [section 11]:**
 - Every enlisted person may make, within such time, on such terms and in such manner as may be prescribed, an application to the concerned officer an application for the cancellation of an enlistment for the following reasons [section 11(1)], namely –
 - if he ceases to carry on any economic activity;
 - if the turnover of his economic activity remains below the enlistment threshold proportionately for three consecutive tax periods.
 - The concerned officer may, within such time, on such terms and in such manner as may be prescribed, cancel the enlistment of such person.
 - An application for VAT registration shall be treated as an application for the cancellation of an enlistment, and the enlistment as a turnover taxpayer shall be deemed to have been cancelled on the date immediately before the date on which the concerned officer issues the VAT registration certificate.
 - If any person does not make an application under sub-section (1) for the cancellation of enlistment, the concerned officer may pass necessary orders after cancelling the enlistment of such person within such time, and in such manner as may be prescribed.
- **Relevant Rules regarding Cancellation of enlistment [Rule 9]:**
 - An enlisted person may file application to the Commissioner in form “VAT-2.4” for cancellation of his enlistment under section 11(1) [Rule 9(1)].
 - If an application is filed under Sub-Rule (1), the Commissioner following proper enquiry
 - shall inform the person after temporarily suspending his enlistment if there are valid reasons for the cancellation of his enlistment; or
 - if the reasons for the cancellation or enlistment are not proper or if the application is incomplete or if for some other reasons it is not proper to cancel the enlistment, the Commissioner shall inform the person temporarily suspending his enlistment or taking any other lawful decision after giving him an opportunity of being heard.
 - If the enlistment of any enlisted person is temporarily suspended, he-
 - will desist from all the activities related to Turnover Tax immediately;
 - will return to the Commissioner enlistment certificate as well as all its attested copies within 15 (fifteen) days of temporary suspension and if there is arrear due, he will pay the same.
 - If after verification the given information are found to be proper, the Commissioner shall cancel his enlistment within 15 (fifteen) days of submission of the final return [Rule 9(4)].

- After proper enquiry if the Commissioner is certain that the annual turnover of any person has crossed the registration threshold and it has become necessary for him to get registration as a Value Added Taxpayer, he shall, after giving him a proper opportunity of being heard, cancel his enlistment for Turnover Tax and register him [Rule 9(5)].
- After proper enquiry if the Commissioner is certain that any person is no longer required to be enlisted as a Turnover Taxpayer, he shall, after giving the person an opportunity of being heard, cancel his enlistment [Rule 9(6)].
- If after verification under Sub-Rule (4) or investigation under Sub-Rule (7), after the cancellation of the enlistment for Turnover Tax it is discovered that there is some arrear payment lawfully due from the said person or any offense has been committed, the relevant provisions of the Act shall apply to him in the same manner as if he is an enlisted person [Rule 9(7)].

Responsibility of a Registered or Enlisted Person

- **Responsibility of a registered/enlisted person to display certificates [section 13]:**

Every registered or enlisted person shall display the VAT registration certificate or turnover tax certificate, or a certified copy thereof, in such a fixed place of his economic activity as makes it easily visible.
- **Responsibility of a registered or enlisted person to keep informed of changes in information [section 14]:**

Every registered or enlisted person shall, in respect of any change of information in the following areas relating to his economic activity, inform the concerned officer within such time and in such manner as may be prescribed, namely –

 - of a change in the name of such person or the type of business, including the name of the business or any other commercial name;
 - of a change in the address or any other contact details of such person;
 - of a change in the places of his economic activity;
 - of a change in information relating to any bank account of such person;
 - of a change in the nature of one or more of the economic activities carried on by such person;
 - of a change in ownership or partnership;
 - of any other prescribed change.

Note: The relevant rules have been explained in Rule 12 and Rule 13 of the VAT & SD Rules, 2016 in this regard.

22.15 IMPOSITION OF VAT

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According to section 15, subject to other provisions of this Act, value added tax shall be imposed and payable on the taxable import and taxable supply. The payable amount of the Value Added Tax shall be assessed and determined by multiplying the VAT rate specified in sub-section (3) with the value of the taxable import or of the taxable supply. Section 15(3) specifies the rate of VAT, in relation to taxable import

or taxable supply, shall be 15 (fifteen) percent. Provided that the government may in public interest determine truncated VAT rate or specified amount of tax in relation to any goods or service specified in the Third Schedule. It is also provided that any registered person may pay VAT at 15% rate in prescribed manner instead of reduced VAT rate or specific tax mentioned in the Third Schedule. Relevant provisions are:

□ **Persons liable to pay value added tax [section 16]**

Every person specified below shall be liable to pay VAT in relation to, namely –

- taxable import: the importer;
- any taxable supply in Bangladesh: the supplier;
- any taxable supply of imported service: the recipient of such supply;
- other cases: supplier or recipient of service.

□ **Supplies made within Bangladesh [section 17]**

- For the purposes of section 15, the following supplies shall be treated to be made within Bangladesh, namely [section 17(1)] –

- any supply made by a resident;
- any supply made by a non-resident carrying on an economic activity from or through a fixed place in Bangladesh;
- any supply other than the ones mentioned in clause (b) made by a non-resident, if the supply-
 - relates to an immovable property and the land attached to it situated in Bangladesh;
 - relates to a good and that is transferred, conferred, installed or assembled in Bangladesh;
 - is any of the following and is made to VAT unregistered person –
 - the services are physically provided in Bangladesh by the service provider staying in Bangladesh at the time of supply;
 - the services are directly related to land located in Bangladesh;
 - the services are radio or television broadcasting or telecasting services received at an address in Bangladesh;
 - the services are electronic services delivered to a person located in Bangladesh at the time of supply;
 - the supply is of a telecommunications service initiated by a person located in Bangladesh at the time of supply, other than a telecommunications supplier or a person who is a global-roaming person temporarily staying in Bangladesh.

- For the purposes of sub-clause (ii) of clause (c) of sub-section (1), where goods are imported by a non-resident and supplied before they are entered for home consumption, such supplies shall be deemed to have been made outside Bangladesh.

- For the purposes of sub- sub-clause (E) of sub-clause (c) of sub-section (1), the person who initiates a supply of telecommunications services is the person –

□ identifiable by the supplier of the services as –

- the one who controls the initiation of the supply;
- the one who pays for the services;
- the one who contracts for the supply;
- if more persons than one satisfy the conditions set forth in clause (a), the person who appears most on that list; and
- if it is not possible for the supplier to identify, for whatever reason, the type or kind of supply or the real location of any of the listed persons, such a supply or all the supplies of telecommunications services made to such kinds of recipients shall be treated to have been made to the place where the actual or real residential or commercial address of the recipient of the tax invoice from the supplier is located.

□ **Registered Supplier and registered recipient [section 18]**

Notwithstanding anything contained in section 17, a supply of services by a registered non-resident to a registered recipient shall be treated to have been made in Bangladesh, if –

- the recipient of the supply carries on an economic activity from or through a fixed place in Bangladesh; and
- the supply is made for the purposes of that economic activity or to that fixed place.

□ **Provisions and Rules for VAT Agent of non-residents**

- VAT Agent of non-residents [section 19]:
 - A non-resident, who does not carry on an economic activity from a fixed place in Bangladesh, shall appoint a VAT Agent.
 - Such VAT Agent of a non-resident shall bear all responsibilities and carry out all activities of the non-resident, and only the non-resident person shall be liable for the payment of all dues including taxes, fines, penalties, and interests that may be imposed.
 - The VAT registration of the economic activities by a VAT Agent shall be in the name of the principal.
 - The Board may prescribe the manner, conditions of appointment and the responsibilities of a VAT Agent.
- Appointment of VAT Agent, etc. [Rule 16]:
 - The VAT Agent of a non-resident person before obtaining the VAT Agent certificate as per Sub-Rule (4) shall have to be registered under section 6 [Rule 16(1)].

- The following persons may be appointed as VAT agent [Rule 16(2)] –
 - VAT Consultant appointed under section 130;
 - Chartered Accountant or Accountant registered as members of the Institute of Chartered Accountants of Bangladesh (ICAB);
 - Accountant registered as member of the Institute of Cost and Management Accountants of Bangladesh (ICMAB);
 - Any lawyer registered as member of the Bangladesh Bar Council;

Any retired official of the Value Added Tax Department not below the rank of Assistant Commissioner; or
Specialist business representative of the private sector nominated by the FBCU.

Chartered Secretary as defined in clause (6) of section 2 of the Chartered Secretaries Act, 2010 (Act No. 25 of 2010); or

Such a reputed consultant firm or CA firm or legal consultant firm registered in Bangladesh who has obtained primary consent from the non-resident person for being appointed as VAT Agent.

- Any person described in Sub-Rule (2) shall have to apply to the Director General, Customs, Excise and VAT Training Academy through online in "VAT-3.1" form for being appointed as VAT Agent.
- The Director General, Customs, Excise and VAT Training Academy following verification of the application received under Sub-Rule (1), if information submitted in the application is found to be appropriate, following similar procedure as stipulated in Rule 109 as per the syllabus prescribed by the Board shall issue a renewable "VAT Agent Certificate" in form "VAT-3.2" with a unique number effective for a period of 3 (three) years [Rule 16(4)].
- Minimum of 3 (three) months before the expiry of the period mentioned in Sub-Rule(4), application for renewal has to be filed in form "Mushak-3.1" to the Director General, Customs, Excise and VAT Training Academy and the Director General shall issue a "VAT Agent Certificate" in form "VAT-3.2" renewing it in the same manner for a period of 3 (three) years.
- If there is any change of information in relation to any VAT agent who has received the certificate, he shall inform the Director General, Customs, Excise and VAT Training Academy within 15 (fifteen) days of the change of information in form "VAT- 3.1" through online.
- The certificate of the VAT Agent shall be cancelled, if-
 - he does not perform what is required under the Act or does what is not to be done; or
 - if any membership or registration is cancelled or if the tenure of such expires as described in Sub-Rule (2).
- Nomination of VAT Agent, etc. [Rule 17]:
 - Any non-resident person shall nominate VAT Agent for performing any work with the VAT authorities on his behalf [Rule 17(1)].
 - To fulfill the purposes of Sub-Rule (1) the non-resident person shall furnish to the Commissioner the information through online or in any other manner in form "VAT-3.3" of nominating concerned VAT agent [Rule 17(2)].

- Following receipt of information under Sub-Rule (2), the VAT system shall send notice automatically to the Agent with the purpose of according consent to his nomination [Rule 17(3)].
- His nomination shall become effective if he accords his consent through online to work as a VAT Agent on the basis of notice received under Sub-Rule (3).
- The nomination of the Agent shall be null and void, if
 - The non-resident person cancels the nomination;
 - The Agent number of the VAT Agent is cancelled;
 - The conduct of economic activities of the non-resident person comes to an end; or
 - The VAT Agent commits any offence under the Act or the Rules.
- **Imported services reverse charged to recipient [section 20]**
 - Notwithstanding anything contained in this Act, supply of any imported service shall be a taxable supply, if
 - the recipient is a person registered or required to be registered and acquires such service in the process of his economic activities; and
 - such service is provided in Bangladesh in the process of an economic activity by a person registered or required to be registered, and such service is taxable at a rate other than being zero-rated; and
 - Value Added Tax payable by the recipient of a taxable supply of imported services is both output tax and input tax of that person.
 - If an adjustment event occurs, or has occurred, in consequence of the supply of imported services, that service would be a taxable supply in consequence thereof and the recipient of such supply of such service shall be treated as the supplier thereof.
 - For the purposes of the definition of "imported services", and of the application of this Act in relation to such services, if a person, registered or required to be registered, carries on economic activities from a fixed place in Bangladesh and from one or more fixed places outside Bangladesh,
 - Such person, in respect of carrying on taxable activities in and outside of Bangladesh shall be treated as two separate persons;
 - the person outside Bangladesh shall be deemed to have made to the person inside Bangladesh (as defined for this Act) a supply of a service containing some benefits of the nature of services through or as a result of the activities carried on by the person outside Bangladesh;
 - the time of the supply shall be determined on the assumption that a supply has been made; and
 - the value of the service shall be determined on the assumption that the supply was made by a non-resident outside Bangladesh to an associate in Bangladesh.

- Notwithstanding anything contained to the contrary in the aforementioned sub-sections, except the services described as exempted services in the First Schedule, the recipient of supply of any imported service shall be liable to pay VAT on the said supply in the manner as prescribed below, who is neither registered or enlisted nor requires to be registered or enlisted:
 - in case of importing the concerned services, during payment of the said service partially or in full through a bank or financial institution, the VAT payable shall be deducted at source by the said bank or financial institution; and
 - the bank or financial institution shall deposit the VAT to the government treasury through Treasury Challan on behalf of the importer of service and shall post it in his return.
- **Provisions regarding Zero-rated Supplies**
 - Zero-rated Supplies [section 21]:
 - Notwithstanding anything contained in this Act, the following supplies shall be zero-rated, namely-
 - any supply specified in sections 22, 23, and 24; or
 - the right to receive zero-rated supplies or supplies related to an option to buy or sell futures.,
 - If a supply is both exempted and zero-rated, it shall be treated as zero-rated and not exempted, under the provisions of this sub-section.
 - Land outside Bangladesh [section 22]:

A supply of immoveable property shall be zero-rated if the land to which the immoveable property relates is outside Bangladesh.
 - Supply of goods for export [section 23]:
 - Supply of any good for export shall be zero-rated: Provided that the provisions of this sub-section shall not be applicable to any goods whether re-imported or intended for re-import.
 - The following supplies shall be zero-rated, namely -
 - if the good is located outside Bangladesh at the time of supply and such good is not assembled, installed or imported into Bangladesh, by the supplier;
 - if the good is supplied anywhere outside Bangladesh after it is imported but before it is entered for home consumption, such good shall be deemed to have been located outside Bangladesh at the time of supply;
 - supply of any good to a tourist or to a visitor coming from abroad for consumption outside Bangladesh by any seller holding a licence to sell duty-free goods;
 - if the good remains outside Bangladesh during the whole of a prescribed period, its supply on lease, hire, under licence or other supplies relating to the use of such good shall be treated as separate supplies and each such supply shall be zero-rated:

Provided that if such good remains in Bangladesh immediately before and after its stay in international territories, such leased good shall be treated to have remained inside Bangladesh.

- Subject to the following conditions, the supply of a good usable for repair, maintenance, cleaning, renovation, modification, or for any other similar work of any good shall be zero-rated, if the good -
 - supplied is assembled with, or become part of, such good, or become unusable or damaged in consequence of the assemblage;
 - is temporarily imported into Bangladesh under the Customs Act; or
 - is brought temporarily into Bangladesh for receiving services, and, after it is received, it is exported from Bangladesh without using it for any purpose in Bangladesh other than receiving the service.
- A supply of goods for the repair or replacement of a good under warranty shall be zero-rated if such good is -
 - supplied under an agreement with the non-resident and unregistered warrantor to the effect that the warrantor would give a consideration; and
 - repaired or replaced without any charge to the owner.
- A goods supplied in the course of repair, maintenance, cleaning, renovation, modification, or otherwise physically affecting an ocean-going ship or an aircraft or any other vessel of the like kind engaged in international transport shall be zero-rated.
- A supply of stores, or of spare parts, relating to an aircraft or an oceangoing ship, engaged in international transport, shall be zero-rated, if the stores or parts are for use, consumption, or sale on the aircraft or the ship during a flight or a voyage.

Explanation: In this section, "stores" means stores for the use of the passengers or crew of an aircraft or of an ocean-going ship, or for the maintenance and repair of such an aircraft or of a ship, and also includes goods for use in the aircraft or ship, fuel, spare parts, tools and the like, whether or not for immediate use.

- Supply of Zero-rated Services [section 24]:
 - The supply of a service directly related to any land situated outside Bangladesh shall be zero-rated.
 - The supply of a service physically given on a good situated outside Bangladesh at the time of service is rendered shall be zero-rated.
 - Subject to the following conditions, the supply of a service for the repair, maintenance, cleaning, renovation, modification and the like, of any good shall be zero-rated, namely-
 - if such good is temporarily imported into Bangladesh under the Customs Act; or

if such good is brought temporarily into Bangladesh for receiving a service and is exported from Bangladesh after the service is given without being used in Bangladesh for any other purpose.

- The supply of a service included in the customs value of an imported good shall be zero-rated (section 24(4)).
- The supply of a service shall be zero-rated if it is given outside Bangladesh (section 24(5)).
- Subject to the provisions of sub-section (5), the supply of a service shall be zero-rated if
 - the recipient of such a supply is
 - a non-resident who stays outside Bangladesh at the time of supply of the service; or
 - a resident and receives such service, in effect, staying outside Bangladesh at the time of the supply of the service; and
 - such service is not
 - directly related to any land situated in Bangladesh;
 - physically given on any good situated in Bangladesh at the time of the supply;
 - provided by global roaming services, to a person temporarily outside Bangladesh.
- The supply of a service shall not be zero-rated under sub-section (4), if
 - such supply of a service relates to the acquisition of a right or option of a subsequent supply (which is neither exempted nor zero-rated) of any other type in Bangladesh;
 - such service is supplied under an agreement with a non-resident to supplying the same to a person not registered in Bangladesh.
- The supply of a service outside Bangladesh relating to the filing of a case, its prosecution, conferment of a right, its protection, transfer, transfer of right, licensing or enforcement of rights for the protection of intellectual property rights shall be zero-rated.
- The supply of a telecommunications service by a telecommunications supplier to a non-resident telecommunications supplier be zero-rated.
- The supply of a service in favor of a good under warranty of repair or replacement shall be zero-rated, subject to the following conditions -
 - if the supply of the service is under an agreement with the warrantor who is a non-resident and is not a registered person; and
 - if such service is provided without any charge to the owner.
- The supply of the following services shall be zero-rated. A supply -
 - of insurance services to the international transport of goods;
 - of the services of repair, maintenance, cleaning, renovation, modification or otherwise physically affecting an aircraft or an ocean-going ship engaged in international transport;

to a non-resident who is not registered, of services directly connected to the operation or management of an ocean-going ship or an aircraft engaged in international transport.

- **Provisions and Rules regarding Travel Agent and Tour Operators**
 - Travel Agent and tour operators (section 26). Notwithstanding anything contained in this Act, the Board may, for a tourism service, irrespective of whether it is provided in Bangladesh or not, shall be zero-rated or not, and may, in every tax period, formulate rules determining the value, on a general basis, of tourism service that are not zero-rated. Here, "tourism service" is accommodation, food, tours, entertainment and similar things commonly provided to tourists or international visitors.
 - Rules Applicable for Travel Agent and tour operators (Rule 1A)
 - A supply shall not be considered to have been made in Bangladesh, if
 - the supply is of a right to receive tourism supplies in Bangladesh;
 - the supplier makes the supply through a fixed place outside Bangladesh to carry on its economic activity, and is not registered.
 - A supply that is made in Bangladesh is not zero-rated if it is a supply of arranging for a person to receive tourism supplies in Bangladesh whether alone or as part of a holiday or tour package.
 - A supply that is made in Bangladesh is not zero-rated if it is a supply of arranging for a person to receive tourism supplies outside Bangladesh whether alone or as part of a holiday or tour package.
 - A supply that is made in Bangladesh is not zero-rated if it is a supply of a right to receive tourism supplies outside Bangladesh whether alone or as part of a holiday or tour package (Sub-Rule 4).
 - The value of a supply that is not zero-rated as per Sub-Rule (4) is calculated on a global basis for each tax period and is equal to the amount calculated according to the following formula (Sub-Rule 5).

$$X = (C - P) \times T$$

Where, X is the amount of Value Added Tax paid; C is the total consideration received or to be received in a certain tax period; P is the zero-rated consideration of the said tax period, and T is the tax fraction.

- If value of P exceeds C in a certain tax period while determining the value of the said supply as per the formula described in Sub-Rule (5), then the excess is included in the value of P in the following tax period.

Note: For a supplier established in Bangladesh, the travel agent or tour operator who performs the functions as Principal, his profit margin has to be considered in such manner as if that profit margin is the commission for works done as Agent. Travel agent and tour operators basically renders services to their clients (who mainly resides in Bangladesh) in Bangladesh.

and their activities shall be taxable in the like manner. Goods, services and immovable property supplied outside Bangladesh shall remain under the taxation system of that country where those have been supplied.

Example: Asian Tourism Ltd., a Bangladeshi Tour Operator, has received a total consideration of Tk. 8,050,000 in recent certain tax period against services. In this consideration, Tk. 1,500,000 was for providing services to foreign tourists against gift vouchers issued by foreign tour operators. Here, the VAT applicable on the Tour Operator should be computed using the formula: $X = (C - P) \times T$, where, X = VAT Amount, C = total consideration received or to be received in a certain tax period i.e., Tk. 8,050,000, P = zero-rated consideration of the said tax period i.e., Tk. 1,500,000, and T = Tax fraction i.e., $\frac{15}{115}$ considering 15% VAT rate

$$\text{VAT} = [\text{Tk. } 8,050,000 - \text{Tk. } 1,500,000] \times \frac{15}{115} = \text{Tk. } 8,54,348 \text{ [approx.]}$$

□ **Rules regarding Supply of goods and services against international tender in exchange of foreign currency [Rule 18A]**

- Goods or services supplied by any registered person in Bangladesh against work order obtained vide international tender through LC/letter of contract in foreign currency with the intention of supplying any goods or services within Bangladesh, subject to submitting the following documentations to the Divisional Officer, shall be deemed to be export u/s 2(62) [Rule 18A(1)], viz:
 - Tender, order or supply or, in applicable case copy of purchase-order of supplier of goods/service rendered through international tender;
 - Description of name, amount, money paid, Bill of Entry/VAT invoice etc. of locally collected goods or service and if applicable the description of declared Input-Output Coefficient;
 - Bank attested copy of Proceed Realization Certificate (PRC) for availing decreasing adjustment of input tax and supplementary duty (in applicable cases) paid against goods and service and certification from Bangladesh Bank in favor of export income.

- Notwithstanding anything contained in sub-rule (1), for performing partial activity included in the work order of any organization located outside Bangladesh work order obtained in international tender, if any person registered in Bangladesh supplies goods or service inside Bangladesh against letter of credit established in foreign currency, subject to submitting the following documentations to the Divisional Officer, shall be considered as deemed export under section 2(62), viz:

- Tender notice, order of supply or, in applicable case copy of purchase-order certified by them of the organization located outside Bangladesh obtaining work order through international tender;

- Description of amount, money paid, Bill of Entry/VAT invoice etc. of locally collected goods or service under international tender and if applicable the description of declared Input-Output Coefficient;
- Bank attested copy of Proceed Realization Certificate (PRC) for availing decreasing adjustment of input tax and supplementary duty (in applicable cases) paid against goods and service at local and import stage and certification from Bangladesh Bank in favor of export income.

□ **Exempted supplies, or exempted imports [section 26]**

Aside from other provisions in this Act, following shall be exempted from VAT--

- any supply or import specified in the first schedule; or
- any supply relating to a right or option to receive an exempted supply.

22.16 MANNER OF VAT COLLECTION ON IMPORTS

CLO
22.6

Manner of VAT Collection on Taxable Imports [Section 27]

In the manner and time import duty is collected under the Customs Act, in the same manner and time VAT has to be collected on taxable import, even if import duty is not applicable on such import.

Determination of Value of Taxable Imports [Section 28]

The value of any taxable import shall be the summation of the following amounts.

- the value of the goods determined for the imposition of import duty under the Customs Act; and
- customs duty, supplementary duty, or other duties and taxes (other than advance tax and advance income tax) payable on the import of the goods, if any.

EXHIBIT

22.3

Determining Assessable Value and Tax/Duty Thereon

Determination of assessable value to impose import duty under the Customs Act for section 28(a):

- If goods are imported at C & F Value : AV = C & F Value + Insurance + Landing Charge
- If goods are imported at CIF Value : AV = C & F Value + Landing Charge
- If goods are imported at FOB Value : AV = FOB Value + Freight In + Insurance + Landing Charge

Here, AV = Assessable value, C&F = Cost and Freight; CIF = Cost, Insurance and Freight; FOB = Free on Board

Formulas to calculate different duties and taxes under the VAT & SD Act, 2012:

- import/customs duty (CD) applicable under the Customs Act for section 28(a) = Assessable Value × Rate of CD
- Regulatory duty (RD) applicable under the Customs Act for section 28(a) = Assessable Value × Rate of RD
- Supplementary duty (SD) for section 28(a) = [Assessable Value + CD + RD] × Rate of SD
- Value added tax (VAT) for section 28(a) = [Assessable Value + CD + RD + SD] × Rate of VAT
- Advance Income Tax (AIT) = Assessable Value × Rate of AIT
- Advance value added tax (Advance VAT) for section 31(2) = [Assessable Value + CD + RD + SD] × Rate of Advance VAT i.e. 3%

Determination of Value of Re-Imported Goods [Section 29]

Where goods are reimported after being exported, the assessable value which will be the base value for the assessment of VAT on such goods shall be the combination of the base value for the assessment of VAT on such goods shall be the combination of the value to the extent that it is enhanced as a result of the repair and the expenses incurred on their insurance, freight and landing charges provided that the form, features, characteristic and the qualitative standards of the goods remain unchanged after such repairs.

Imports for Exports [Section 30]

A good brought for export, without being released for consumption inside Bangladesh, shall not be liable to any tax.

Provisions and Rules Regarding Payment, Adjustment, and Refund of Advance Tax Paid at Import Stage

- **Payment of advance tax on import and its adjustment [section 31]**
 - Every registered person or a person required to be registered, shall make advance payment of the VAT payable on the supply of imported goods at the rate specified in sub-section (2);
 - An advance tax, at the rate of 3 (three) percent in the case of inputs imported for manufacturing goods and in other cases at the rate of 5 (five) percent of the VAT imposable base value of the taxable import, shall be payable at the same time, and in the same manner as VAT is payable, on a taxable import in the manners and conditions prescribed by the Board [section 31(2)];
 - Every registered importer who has made a payment of advance tax may, in the prescribed manner, claim, in the return of the related tax period or within the next four tax periods, a decreasing adjustment equal to the amount paid as advance tax [section 31(3)].
 - Any person who has paid an advance tax but is not registered may, in the prescribed manner, make an application to the Commissioner for refund of such advance tax.
 - The Commissioner shall, after receiving such an application, dispose of it in prescribed manner.
- **Adjustment and refund of Advance Tax paid at import stage [Rule 19]**
 - The registered person who has paid Advance Tax at import stage can make decreasing adjustment of the total Advance Tax paid, in the return of the tax period mentioned in sub-section (3) of section 31 [Rule 19(1)].
 - For fulfilling the purpose of Sub-Rule (1), the registered person shall perform decreasing adjustments by deducting all the VAT paid in advance from the total tax to be paid in the relevant tax period.
 - A person who has paid advance tax at import stage may apply to the Commissioner for getting refund of the total advance tax paid under the following conditions and procedures, viz:-

- He will have to be the ultimate consumer of the imported goods and he would not transfer those goods to anyone else;
- He will have to file an application through online or in paper to any nearest Commissioner in "VAT-41" form within 120 (one hundred and twenty) days from the date on which advance tax has been paid;
- The Commissioner, after verifying the received application if found to be proper shall issue a crossed check after approving the refund in favor of the applicant within 15 (fifteen) days of the receipt of the application or issue an order to transfer the approved money to the bank account of the applicant.

22.17 MANNER OF VAT COLLECTION ON GENERAL SUPPLIES

CLD
22.6

Determination of Value of Taxable Supply [Section 32]

- Subject to the provisions of this section, the value of a taxable supply shall be the consideration for such supply, reduced by an amount equal to the tax fraction of that consideration [section 32(1)].
- The consideration for a taxable supply of an imported service shall be the price of the supply or if the supplier and the recipient of the supply are related to each other, then the fair market price of the said service.
- The value of a taxable supply a registered person makes to an associate shall be the fair market price of such supply, reduced by the tax fraction of that price, if-
 - such supply is made for no consideration, or for a consideration that is lower than the fair market price; and
 - such associate would not be entitled to a credit for all of the input tax arising out of such supply.
- Unless otherwise specified, the value of a taxable supply without a consideration shall be the price reducing tax fraction from fair price of the supply [sec 32(4)].
- For supply of goods, the registered or enlisted person shall have to submit Input-Output Coefficient to the concerned officer in prescribed manner [section 32(5)].

Determination of Value of a Supply Without Consideration [Rule 20]

- For a supply under sub-section (4) of Section 32, any registered person can make a supply of a maximum of Tk. 20,000 as sample in a fiscal year [Rule 20(1)].
- For the purposes of Sub-Rule (1), any registered person in a fiscal year may show the sample amount described in the said Sub-Rule as without consideration through one or more than one supply.
- The amount described in Sub-Rule (1) shall be determined by fair market price.

Declaration of Input - Output Coefficient [Rule 21]

For section 32(5), any registered or enlisted person shall have to submit, prior to manufacture or supply of goods, in form "Mushak - 4.3" to the Divisional Officer an Input-Output Coefficient, a copy of which the Divisional Officer shall have to send to

the concerned Commissioner with recommendation within 15 (fifteen) working days. But such declaration shall not have to be submitted in the case of exportable or exported goods by hundred percent export-oriented industrial establishment.

Time of Payment of VAT on Taxable Supplies [Section 33]

- The VAT imposed on a taxable supply shall become payable at the time when any of the following activities first occurs, namely –
 - when such supply is made;
 - when a tax invoice for such supply is issued;
 - when a part or the whole of the consideration is received; and
 - when any supply is used personally or given to others for use.
- If any supply is considered as progressive or periodic supply, VAT imposed on such supply shall be payable at the time when any of the following activities occurs first [section 33(2)], namely –
 - when separate invoices are issued for each such supply;
 - when receivable consideration for each such supply is received (part/full);
 - when the price against the sequence of supplies becomes payable.
- Notwithstanding the provisions of sub-section (2), if a progressive or periodic supply of water, gas, oil or electricity is made through a distribution network, the imposed VAT shall become payable within 90 (ninety) days from the date on which invoices against each such supply are issued.

Progressive or Periodic Supplies [Section 34]

- Each progressive or periodic supplies shall be treated as a separate supply.
- If each of the progressive or periodic supplies is not readily separable, such supply shall be treated as a series of separate supplies each corresponding to the proportion of the supply to which such separate part of the consideration relates.
- In relation to each part of a supply under a lease or of a right to use any property, the time required continuously over the period of such lease or right of use shall be treated as the time of supply.

Supply of Multiple Types of Goods and Services Through Single Challan

Where a supply consists of multiple types of goods and services, tax shall be imposed in the following manner (section 35), namely –

- for every supply, each type of goods or service shall have to be shown separately;
- a supply consisting of the characteristics of a single supply from an economic point of view shall not be split artificially.

22.18 MANNER OF VAT COLLECTION ON SPECIAL SUPPLIES

CLO
22.6

Provisions and Rules about Sale of an Establishment as a Going Concern

According to sub-section (1) of section 36, Where a person transfers an establishment in Bangladesh as his running business in the process of an economic activity, such

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transfer shall be treated as a single supply and such single supply shall not be regarded as a supply made in Bangladesh [section 36(1)]

In the matter of applicability of the provisions of sub-section (1) the running business establishment has to be acquired with an intent to keep the economic activity going after its sale took effect and the purchaser has to fully acquire all that is necessary for an uninterrupted management of the economic activity thus transferred.

If a part of a running business establishment is capable of being operated separately, such part shall be regarded as a separate economic activity. Moreover, in the matter of applicability of the provisions of sub-section (1), for the purposes of working out the supplier's entitlement to input tax credits, –

- the input tax paid on a service taken up for transfer shall be determined in continuation of other activities of the supplier; and
- the value of a transfer shall not be included in the proportionate credit ascertained under section 47.

Sub-section (5) of section 36 specifies that no person shall transfer a running business establishment without making full payment of all payable taxes and arrear dues. Notwithstanding the provision of sub-section (5), a Commissioner may, subject to such conditions and such limitations as may be prescribed, permit a transfer, if the purchaser submits an unconditional bank guarantee from a scheduled bank for full payment of all payable taxes arrear dues. Under the provision of sub-section (1), the purchaser shall be treated as the successor to the supplier from the date of the transfer and the supplier shall provide the purchaser with the information necessary to properly comply with the provisions of this Act, and the Board may make such rules as are necessary to make sure that the supplier provides such information.

Rights, Options, and Vouchers [Section 37]

Where a right or an option is exercised, the consideration for a supply made through an exercise of such right or option shall be equal to the remainder, if any, of the consideration given for such supply. However, according to sec 37(2), a voucher that is accepted as payment (part/full), for a supply; the consideration for such supply shall be the remainder of the value after subtracting the value of such voucher. This provision shall not apply where the supply of a voucher is not a taxable supply.

Explanation: Here, "voucher" means any given receipt ticket, acknowledgement receipt or any similar document issued electronically the bearer whereof acquires the right to have the supplies of any good, service, or immovable property, but does not include a postage or revenue stamp.

Lotteries/lucky draws, Housie, Raffles, & Similar Undertakings [Section 39]

Where a person runs a lottery, lucky draw, housie, raffle, or similar undertaking, the consideration for tickets (by whichever name described) sold by such person shall be

the price of the ticket. The price of the tickets sold at a discount to distributors or agents shall be calculated exclusive of the discount. In this section, "price of the ticket" means the amount of money payable by the buyer, who holds the ticket with a desire to win, and participates in the undertaking.

Value of in-kind Benefits Given to an Employee or Officer [Section 40]

Where a person, registered or required to be registered, makes a supply of an in-kind benefit in lieu of cash to any of his employees or officers, such a supply shall be treated to have been for personal ends; the price of such in-kind benefits shall be taxable.

Moreover, where such person supplies to any of his employees a service or an immovable property without a consideration or at a price less than the fair market price, the value of such service or immovable property shall be its fair market price.

Lay-by Sales [Section 41]

Where a supply of goods is made under a lay-by agreement, the output tax on such supply shall become payable when payments for such supply are made and, in each tax period, taxes shall be assessed and paid at the time of payment of the price; and the amount of assessed output tax in each tax period shall be the tax-fraction of the payments made in that period. Moreover, a separate tax invoices shall be required to be issued against payment of each installment under the case.

Cancelled Transactions [Section 42]

Where a transaction for a supply is cancelled, and a portion of the consideration previously received is retained by the supplier at the time of returning it, then the tax applicable on the portion thus retained may be adjusted while making adjustments in consequence of the cancellation.

If a transaction for any supply is cancelled, and the supplier realizes any money from the recipient as a consequence thereof, that realized money shall be treated as the consideration for the supply in the tax period in which it is realized and taxes shall be payable.

Provisions and Rules about Sale of Property to Pay Off a Debt [Section 43]

Where a person (creditor) takes a supply, by way of sale, of the property of another person (debtor) in full partial settlement of a debt owed by the debtor to the creditor, -

- ☐ the supply shall be deemed to have been made by the debtor;
- ☐ the creditor shall be liable to pay the taxes, if any, payable on the supply; and
- ☐ After payment of the debt and other debts, payable VAT shall be deposited on a priority basis before any surplus money may be returned to the debtor.

The debtor and the creditor shall be jointly and severally liable for the payment of the taxes. The Board may prescribe the conditions for, and the manner in which, an unregistered creditor may pay Value Added Tax under the provisions of this section.

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ASSESSMENT OF NET PAYABLE TAX BY THE TAXPAYER AND PAYMENT THEREOF

Assessment of Net Payable Tax and Rules of Payment Procedure

According to sub-section (1) of section 45, the amount of net tax payable by a taxpayer for any tax period shall be assessed in the following manner, namely

- ☐ by adding all the output taxes and supplementary duty payable in such tax period;
- ☐ by subtracting all of the input tax credits entitled to be claimed in such tax period from the summation under clause (a);
- ☐ by adding all increasing adjustments of that registered person in such tax period;
- ☐ by deducting all decreasing adjustments of that person in such tax period.

The net payable tax assessed in the process outlined above shall, in the prescribed manner, be paid by the taxpayer before filing the return for such tax period.

Tax payment procedure [Rule 25]

The registered or enlisted person, after determining the net tax of a specific tax period shall pay it to the government treasury in specific code of accounts. In case the tax is paid through online, the Acknowledgement Slip generated from the VAT computer system after payment of tax shall be considered as evidence of the payment of tax. Except online payment of tax, if tax is deposited by any other means, documentary evidence of tax payment shall have to be submitted with the return.

Input Tax Credit [Section 46]

Except as provided otherwise in this Act, a registered person, in the course of his economic activity, shall be entitled to an input tax credit against the Value Added Tax imposed on a taxable supply, except in the following cases, namely -

- ☐ if the value of a taxable supply exceeds Tk.100,000; and the full consideration against such supply is paid through means other than by banking channel or mobile banking platform;
- ☐ if output tax payable on the said service U/s 20 is not shown separately in the return, in the case of receipt of imported service;
- ☐ if input tax credit is not taken in the tax period when inputs have been purchased or collected through invoice/bill-of-entry or within four succeeding tax periods;
- ☐ VAT paid on the goods or services under the custody or possession or supervision of another person, as the case may be except production on contract;
- ☐ if any goods or service has not been entered into the Purchase Register or Purchase-Sale Register, prescribed by Rules;
- ☐ if name, address and registration number of both the buyer and the seller are not mentioned in the tax invoice;
- ☐ when supply is received from the importer, if the invoice issued by the importer does not contain the Bill of Entry number of the concerned import consignment and when there is no match between the commercial description based on

- description of the goods supplied in the invoice issued by the importer and description in the Bill of Entry:
- ☐ input tax involved with Bank Guarantee portion, in case of raw-materials or goods released furnishing Bank Guarantee, until, the causes for which Bank Guarantee was furnished have been finally settled;
 - ☐ input tax paid on inputs used in the manufacturing of exempted goods and rendering of exempted service;
 - ☐ Turnover Tax paid under the purview of Turnover Tax
 - ☐ Supplementary Duty paid on goods or service used in the manufacture of goods or rendering of service;
 - ☐ VAT paid on purchase of inputs for supply of such prescribed goods or service on which the rate of VAT is below 15% or fixed, except in export related cases;
 - ☐ input tax paid against inputs/goods not declared in the Input-Output Coefficient;
 - ☐ additional increased input tax, if new Input-Output Coefficient is not submitted in case of total input price changes more than 7.5 percent;
 - ☐ goods or services are delivered at a price lower than the cost.

No input tax credit shall be allowed against an acquisition or import, if –

- ☐ such acquisition or import relates to a passenger vehicle, or its spare parts or for the repair and maintenance services of such vehicle: provided that input tax credit may be allowed when dealing in vehicles, renting them out or supplying transportation services are included in the economic activities of such person and the vehicle is acquired for that purpose;
- ☐ such acquisition or import relates to entertainment or is used to provide entertainment: provided that input tax credit may be allowed when provision of entertainment relates to such person's economic activities and the entertainment is provided in the normal course of his economic activities;
- ☐ such acquisition relates to a person's membership or right of entry in a club, association, or society, of a sporting, social, or recreational nature;
- ☐ such acquisition is more than 80% of goods transport related service expenditure.

A registered person shall, in support of his claims for input tax credit at the time of filing of returns, be in possession of the flowing documents, namely –

- ☐ In case of an import, a bill of entry bearing the name of the importer and the business identification number;
- ☐ In case of a supply, a tax invoice issued by the supplier;
- ☐ Treasury Challan Copy in support of deposit of tax, in case of section 20(2);
- ☐ Bill issued by the concerned organization which shall be considered as invoice, in case of taking credit of the VAT paid on gas, water, electricity, bank, insurance, port and telephone service;
- ☐ Invoice issued by banks, Mobile Financial Service Provider, and any Digital Payment Gateway Organization against the payment of electricity bill, in due course and method, will be considered as invoice.

Partial Input Tax Credit [Section 47]

Where a registered person pays or is liable to pay a part of the consideration for a taxable supply, any input tax credit to which the person is entitled shall be calculated on the basis of the amount of the consideration such person pays or is liable to pay. If any registered person is engaged in providing goods or services (one or multiple types) under regular VAT rate or reduced rate or specific rate or exempted or zero rated, he shall be entitled to claim input tax credit u/s 46 only against goods or services delivered under regular VAT rate or zero rate. At the end of the tax period such partial input tax credit related adjustments must be shown in the relevant documents.

A registered person shall be entitled to claim input tax credit against an import or acquisition in a tax period; but if he is not entitled to the input tax credit in full, his entitlement to it against his total imports and acquisitions shall be calculated under the provisions of sub-section (3) of section 47 as stated below.

$$I \times T \div A$$

Where, 'I' is the total amount of input tax originating from imports or acquisitions to which this sub section relates and for which a credit is sought in such tax period; 'T' is the value paid by the registered person mentioned below of the taxable supplies on which input tax credit is allowed U/s 46 during the tax period; and 'A' is the value paid by the registered person of all the supplies during a tax period.

For purposes of this section, the Board may determine –

- ☐ which input or inputs shall or shall not be included in the above formula;
- ☐ when and how T/A fraction shall be rounded up or down to full number;
- ☐ the annual adjustment made at the end of each calendar year;
- ☐ the special procedure in relation to receiving partial tax credit by the suppliers of financial services;
- ☐ the actual use of any property with the claimed input tax credit in relation to additional adjustments made against capital assets.

Adjustments [Section 48]

When an adjustment event occurs, a taxpayer may, at such amount, on such terms, within such time and in such manner as may be prescribed, may make increasing adjustment in the following cases, namely:

- ☐ increasing adjustment for tax deducted at source;
- ☐ increasing adjustment in consequence of an annual recalculation;
- ☐ increasing adjustment for not making payments through banking channels;
- ☐ increasing adjustment for goods put to a private use;
- ☐ increasing adjustment on being registered;
- ☐ increasing adjustment because of cancellation of registration;
- ☐ increasing adjustment because of change in VAT rate;

- ☐ increasing adjustment for payment of interest, monetary penalty, fine, fee, etc.
- ☐ any other prescribed increasing or decreasing adjustment.

A taxpayer, at such amount, on such terms, within such time and in such manner as may be prescribed, may make decreasing adjustment in the following cases, namely:

- ☐ decreasing adjustment for money paid as Advance Tax;
- ☐ decreasing adjustment of tax deducted at source against supply made by supplier;
- ☐ decreasing adjustment applicable as a result of annual recalculation or audit;
- ☐ decreasing adjustment for issuance of credit note;
- ☐ decreasing adjustment because of change in VAT rate;
- ☐ decreasing adjustment claimed for a negative net amount carried forward from a previous tax period;
- ☐ decreasing adjustment for VAT overpaid in previous tax period; or
- ☐ any other prescribed decreasing adjustment.

Tax Withheld at Source and Increasing Adjustment by Withholding Entity

Aside the provisions of section 33, subject to the provisions of section 49(2), if a supplier makes a supply, which is not exempted or zero-rated, to a withholding entity against agreement, tender, work-order or by any other means, the withholding entity shall withhold at source, the determined VAT in the manner prescribed in the rules from the consideration payable to the supplier.

However, as per section 49(2), if a supplier is not registered or enlisted, and if a combined tax invoice and withholding certificate is not issued, the withholding entity shall not receive any supply from such supplier and shall pay no price against such supply to the supplier. Provided that the client will be responsible to pay the VAT against the receipts of any goods or services from a supplier not registered or enlisted. A withholding entity shall deduct and pay the withheld VAT in prescribed time and manner.

For the tax withheld at source and for the deposit thereof to the government Treasury, the withholding entity and the supplier shall be jointly and severally liable. If under any project, VAT payable by any service recipient is collected at source or deducted and deposited to the government treasury in prescribed manner while paying service value or commission by service recipient or as the case may be by the person paying the service value or commission and if that service provider appoints any sub-contractor, agent or any other service rendering person with the purpose of providing a part of the total service, in such case, VAT shall not be collected at source again from such sub-contractor, agent or any other service rendering person appointed by the service provider, subject to submission of documentary evidence of collection or deduction of VAT payable primarily on the service and deposit of the same to the government treasury (as VAT is not applicable); but, this provision shall not apply in the case of purchase of goods under any project.

Decreasing Adjustment by the Supplier After the Tax Withheld at Source

If a tax is withheld at source, the registered person may, in the prescribed manner, make a decreasing adjustment equal to the amount of money withheld at source [Sec 50]. The adjustment shall be claimed in the tax period payment is made against any supply or within the next 3 tax periods and a claim after such period shall be time-barred. No decreasing adjustment shall be claimed by a supplier if he does not issue a combined tax invoice and withholding certificate in favor of the withholding entity.

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TAX INVOICES AND OTHER DOCUMENTS

- ☐ *Tax invoice [section 51]*: Every registered or enlisted person shall issue a tax invoice in prescribed manner on such date or before that date when tax becomes payable on the taxable supply.
- ☐ *Credit notes and debit notes [section 52]*: Sub-section (1) of section 52 requires every credit or debit note shall include the following information. If a credit note does not contain the information specified in clause (f) of sub-section (1), it shall not be used in support of a claim for any decreasing adjustment.
 - the serial number of the credit/debit note, and the date and time of its issue;
 - the name, address and business identification number of the supplier;
 - the serial number, date and time of the relevant original tax invoice;
 - the nature of the adjustment;
 - the effect on the amount of VAT;
 - the name, address and business identification number of the recipient (in applicable cases) of the supply if the amount of VAT payable on the supply is more than Tk. 5,000; if a credit note does not contain such information of the recipient, it shall not be used in support of a claim for any decreasing adjustment;
 - any other information necessary to identify the amount of any increasing or decreasing adjustments because of any adjustment event.
- ☐ *Tax withholding certificate [section 53]*: While tax withholding entity receives any supply from any registered person, the tax withholding entity shall issue tax withholding certificate in the manner prescribed by the Board while making payment against the supply by him.
- ☐ *Other provisions relating to tax documents [section 54]*: The Board may frame rules in respect of tax documents and issuance of copies thereof, and of the terms of preservation, manner and time limits of submission thereof.

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IMPOSITION & COLLECTION OF SUPPLEMENTARY DUTY

Imposition of Supplementary Duty [Section 55]

sub-section (1) of section 55 specified that the supplementary duty (SD) shall be imposed and payable on the import of goods, the supply of goods manufactured in Bangladesh and on the supply of services rendered in Bangladesh, if they are subject to SD in Bangladesh. Notwithstanding anything contained in sub-section (1), no SD

shall be imposed on an import of goods subject to SD if such goods is imported for export, and not for home-consumption. Unless specified in sub-section (1), no SD shall also be imposed on the supply of goods or services that are zero-rated under Chapter Three of this Act. SD on the supply of goods or services subject to SD shall be payable at only one stage. The amount of payable SD shall be,-

- ☐ if a rate of SD is specified for the goods or services subject to such duty in column (4) of the Second Schedule, the amount arrived at by multiplying the dutiable value of the goods or services by such rate; or
- ☐ if a specific amount of SD is specified against a good or service, subject to supplementary duty, in column (4) of the Second Schedule, such amount.
- ☐ SD on the supply of goods or services subject to supplementary duty shall be payable at only one stage.

Persons Liable to Pay Supplementary Duty [Section 56]

Every person specified below shall be liable to pay supplementary duty, namely:

- ☐ in the case of import of goods subject to supplementary duty: the importer;
- ☐ in the case of supply of goods manufactured in Bangladesh and subject to supplementary duty: the supplier; or
- ☐ in the case of supply of services subject to supplementary: the supplier of such services unless otherwise specified.

The Value for Imposition of Supplementary Duty [Section 57]

For the purposes of imposing supplementary duty (SD), the value of the goods or services subject to supplementary duty shall be as follows, namely:

- ☐ in relation to an imported good subject to SD, the value that is arrived at adding customs duty, regulatory duty and other duties (if any) with the value on which customs duty is leviable under section 25 or 25(a) of the Customs Act: customs duty is leviable.
- ☐ in relation to a supply of goods or services subject to SD, the value of such taxable supply shall be arrived at by deducting the SD from the value determined under section 32. *Provided that if the supply of any good or service subject to SD is made without any consideration or with inadequate consideration, the value for imposition of SD on such good or service shall be arrived at by deducting SD from the tax fraction of the fair market price of such supply; and*
- ☐ in relation to any good where VAT is imposed based on retail prices, the retail price described in Sec 58(2) shall be regarded as the value for imposition of SD.

Special Schemes for Tobacco and Alcoholic Goods [Section 58]

For the purposes of imposition and realization of supplementary duty (SD) on the following goods manufactured in Bangladesh or imported in Bangladesh for the purpose of sale and subject to SD, the Board may, subject to the provisions of this Act or the rules made thereunder, make a special scheme to be complied with by the manufacturers of such goods, namely -

- ☐ tobacco or any other similar product, including products blended with tobacco; or
- ☐ alcoholic drinks, ingredients of alcoholic drinks or any other similar product.

The Board may, by means of such special scheme, set a maximum retail price for the goods, which shall be treated as the value for imposition of VAT and supplementary duty. Such special scheme shall include matters in relation to the:

- ☐ stamps, banderols or special signs or marks of any particular size or design containing security features on the packages, bottles, pots or containers of such goods, or on the bodies thereof, or any other similar matter; and
- ☐ manufacture, acquisition, distribution, preservation, use supervision, observation, accounting, disposal, etc. of such stamps, banderols/of the special signs or marks.

Collection of Supplementary Duty on Imports [Section 59]

The supplementary duty on an imported good subject to such duty shall be collected at the same time and in the same manner as the customs duty on such good is collected. Sub-section (2) of section 59 also specified that, same as otherwise provided in this Act, in relation to an import of goods, for the purposes of collecting and paying the supplementary duty, the provisions of the Customs Act shall (with necessary modifications and adaptations) apply in such a way as if the supplementary duty payable on imports were a customs duty.

Without affecting the generality of the provision of sub-section (2), whenever any bond or guarantee is demanded under the Customs Act, the amount so demanded shall be calculated in such manner as if the payable supplementary duty were a customs duty on the imported goods.

Collection of Supplementary Duty on Supplies [Section 60]

Supplementary duty on the supply of a good or a service subject to such duty shall become payable at the same time when VAT becomes payable on such supply. Every person liable to pay supplementary duty shall, in the VAT return, includes the information relating to the supplementary duty.

Presumed Supply of Goods Subject to Supplementary Duty [Section 61]

If a person, who manufactures any goods subject to supplementary duty, fails, at the time of an audit, to provide proper and specific accounts about the quantity of such 'good' supplied by him, then the goods supplied shall be determined on the basis of input-output coefficient declared by such person and such person shall be presumed to have supplied such goods for a fair market price. If such goods are destroyed by fire or any other natural disaster, then on submission of application to the Commissioner in the manner prescribed by rules and on consideration of the application, supplementary shall not be payable in the case.

Decreasing Adjustment for Supplementary Duty [Section 62]

Any person importing a good subject to supplementary duty may, within such time and in such manner as may be prescribed, make a decreasing adjustment of the

supplementary duty paid by him on the import, if the goods is in compliance with the conditions of a drawback of duties under the Customs Act.

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IMPOSITION AND COLLECTION OF TURNOVER TAX

According to section 63, Every person enlisted or required to be enlisted shall pay turnover tax at the rate of 4 (four) percent on the turnover of his economic activities. The turnover tax payable in a tax period by any enlisted person shall be paid before filing the return for such period. Manners in respect of assessment and collection of the payable turnover tax, of keeping accounts, of the refund of turnover tax, of adjudication and of other auxiliary matters relating thereto shall be determined by rules. Value Added Tax or Turnover Tax paid on the inputs purchased by the enlisted person cannot be taken credit or decreasing adjustment.

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ACCOUNTING OF VALUE ADDED TAX [Rule 40]

A registered person shall have to maintain properly in his place or places of supply the following books, invoices, withholding certificate, and credit note and debit note, whichever is applicable in the form and procedure mentioned for them [Rule 40 (1)].

- *Books of Accounts for purchase:* A registered person shall preserve in "VAT-6.1" form accounts of all his purchases related to his economic activity;
- *Books of Accounts for sale:* A registered person shall preserve in form "Mushak-6.2" accounts of all his sales related to his economic activity;
- *Books of Accounts for purchase-sale:* If a registered person purchases the goods which he supplies without any processing, then he shall preserve in form "Mushak-6.2.1" accounts of all his purchase-sale of those goods;
- *VAT invoice:* A registered person shall issue VAT invoice in accordance with the following procedure, such as—
 - a VAT invoice against each supply in "Mushak-6.3" form;
 - actual date and time of issuance of invoice;
 - name, address and Business Identification Number of the supplier;
 - name, address and Business Identification Number of the purchaser, if the value of the supply exceeds Tk. 25,000 (Twenty five thousand);
 - description, amount of the goods, amount, date of supply made, time, nature and number of the transport;
 - value of supply (without VAT)
 - VAT rate applicable on the supply;
 - amount of VAT payable;
 - Summation of value of supply and VAT payable;
 - fiscal year wise serially numbered tax invoice;
- if the registered person makes supply from more than one places, then separate serially numbered tax invoice mentioning name, address and invoice number for each place;

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- tax invoice in such minimum in 2 (two) copies, of which the original has to be given to the purchaser which has to accompany with the vehicle while transporting goods and copy has to be preserved by the registered person;
- in the case of supply where source deduction applies, the very tax invoice is unified tax invoice and certificate for tax deduction at source;
- any other information determined by the board.

- *Invoice for contractual manufacturing:* A registered person shall have to issue invoice for contractual manufacturing in the following procedure, viz:—
 - with the purpose of manufacturing contractual goods, inputs of the goods related to their economic activity and goods manufactured shall have to be reciprocally transferred in form "Mushak-6.4" between the contractually bound registered persons;
 - for contract manufacturing, the owner of the goods may be directly delivered imported material to the contract manufacturer from the place of import;
 - invoices for contractual manufacturing shall be serially numbered as per fiscal year;
 - if the registered person makes supply from more than one places, invoices for contractual manufacturing with separate serial numbers may be issued from each place on which the name of the place, address and the serial number of the invoice shall remain included;
 - invoice for contractual manufacturing would have to be issued minimum in 2 (two) copies of which the original shall have to be given to the recipient of inputs or goods manufactured and the duplicate shall have to be preserved by the registered supplier; and
 - in the contractual manufacturing process, a tax invoice has to be issued in form "Mushak-6.3" following supply of the manufactured goods to the actual owner of the goods for the consideration received or to be received against contractual manufacturing.
- *Invoice for transfer of goods:* A registered person shall have to issue invoice in the following manner for transfer of goods, viz:—
 - a registered person shall transfer the goods related to his economic activity in form "Mushak-6.5" from a branch to other branch (including warehouse);
 - invoices for transfer of goods shall be serially numbered as per fiscal year;
 - if the registered person makes supply from more than one places, invoice for transfer of goods with separate serial numbers may be issued from each place on which the name of the place, address and the serial number of the invoice shall remain included;
 - invoice for transfer of goods should issue minimum 2 (two) copies of which the original should be sent to the branch (including warehouse) receiving the goods and the duplicate has to be preserved in the branch issuing the invoice.
- *Certificate for tax deduction at source:* A registered person shall issue certificate for tax deduction at source in the following manner, viz:—

- if the registered person makes any supply to any withholding entity, a tax invoice shall be issued in "Mushak-6.3" form in the procedure described in Clause (c) below;
 - the recipient of the supply who is registered or enlisted shall issue a certificate for tax deduction at source in favor of the supplier in form "Mushak-6.6" within 3 (three) working days of payment of consideration;
 - a recipient of the supply who is not registered or enlisted shall issue a certificate for TDS in favor of the supplier in form "Mushak-6.6" within 3 working days of the deposit, or as the case may be, being informed under Sub-Rule (4) of Rule (38) following deposit to the government treasury within 15 days of the payment of consideration [Clause (c)];
 - Notwithstanding anything contained in Sub-Clause (c), the recipient of the supply may issue one certificate for tax deduction at source against more than one supply where source deduction is applicable with reference to the tax invoices in form "Mushak-6.3" issued by the supplier;
- ☐ Credit Note and Debit Note: As per Rule 27, the registered person shall issue Credit Note in form "Mushak-6.7" and Debit Note in form "Mushak-6.8".

Note: For fulfilling the purposes of this Rule,

- Debit Note means a supplementary invoice which is related to the amendment of one or more than one invoice issued earlier based on which the registered person can make increasing adjustment as per provisions of Bangladesh Accounting Standard ((BAS), Bangladesh Financial Reporting Standard (BFRS), Bangladesh Standard of Auditing (BSA) and internationally accepted accounting system.
- Credit Note means a supplementary invoice which is related to the amendment of one or more than one invoice issued earlier based on which the registered person can make decreasing adjustment as per provisions of BAS, BFRS, and BSA and internationally accepted accounting system.

As per Rule 40(2), the registered person can preserve in his own format the forms described in this chapter including additional information for the requirement of his business, where—

- ☐ there will be the name of Form;
- ☐ all information of the prescribed form shall be included; and
- ☐ the concerned form shall be issued in minimum prescribed copies.

No defective or incomplete "VAT Invoice", "Certificate for Tax Deduction at Source", "Debit Note" and "Credit Note" shall be considered as documentary evidence for credit or adjustment. Notwithstanding anything contained in Sub-Rule (1), the registered or enlisted person shall sequentially complete accounting, reporting and auditing as per Bangladesh Accounting Standard, Bangladesh Financial Reporting Standard and Bangladesh Standard on Auditing [Rule 40 (4)].

Besides, all the documents to be preserved for the conduct of business and that depicts the status of business including the documents prescribed under Sub-Rule (4) shall be considered as commercial documents and that can be used to determine the tax liability of the registered person. A registered person is not allowed to maintain accounting at the same time in prescribed format under this Rule and in own method following the provisions of Sub-Rule (2). The Board, by an order in government gazette, may declare the invoice or bill issued in their own format by any registered person as tax invoice.

22.24 ACCOUNTING OF TURNOVER TAX[RULE 41]

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Any registered person in his place of supply shall preserve in form "Mushak-6.1" and "Mushak-6.2" or if applicable "Mushak-6.2.1" respectively the accounts of all his purchase-sale related to his supply. Besides, the enlisted person shall issue Turnover Tax invoice in the following procedure, viz:

- ☐ A Turnover Tax invoice in form "Mushak-6.9" against each supply;
- ☐ Turnover Tax invoice shall be serially numbered on the basis of fiscal year;
- ☐ If the enlisted person makes supply from more than one places, invoices with separate serial numbers shall have to be issued from each place in which the address of the place and number of the invoice shall remain mentioned; and
- ☐ The Turnover Tax invoice shall have to be issued in 2 (two) copies, of which the original invoice shall have to be given to the purchaser and the enlisted person shall preserve the copy at his place of business.

22.25 FILING OF RETURN AND AMMENDMENTS THERETO

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Filing of Return [Section 64]

Every person, registered or enlisted or required to be registered or required to be enlisted, shall, in such manner as may be prescribed by the Board, file the return for each tax period within a period not exceeding 15 (fifteen) days after such tax period expires. Provided that return is to be submitted on the next working day if 15th day is government holiday.

Notwithstanding anything contained contrary in any provision of this ACT, for reasons of epidemic, pandemic, acts of God or war, the Board, in public interest, with prior approval of the government, by an order, can extend the time limit for submission of return for that period of danger exempting from collection of interest and fine. Such order can be given with retrospective effect. A VAT return, inclusive of the information on the payment of supplementary duty, shall be filed.

Late Filing of Return [Section 65]

The Commissioner may, on an application made within such time, on such terms and in such manner as may be prescribed, grant a person permission to file a return late.

but such permission shall not extend the actual date for payment of taxes beyond more than 1 (one) month or shall not alter the liability to pay interests.

Amendments to Return [Section 66]

The Commissioner may, on an application made by a taxpayer within such time, on such terms and in such manner as may be prescribed, grant such taxpayer a permission to file an amended return after removing the clerical mistakes and omissions from such return; but the Board may determine the surrounding circumstances on the basis of which a decreasing adjustment may arise as a result of any amendment made under this section and returns may be filed without paying monetary penalty.

Filing of Complete, Additional, or Alternative Returns [Section 67]

The Commissioner may, upon serving a notice, pass an order directing a person to file, within such time, on such terms and in such manner as may be prescribed, a complete, additional, or alternative return for a tax period; and similar order may also be passed for such registered person in relation to non-filing of an original return for any specified tax period.

Rules to be Followed Regarding Submission of Return and Amendment

□ *Submission of return [Rule 47]:* The registered person shall submit Value Added Tax return in "Mushak-9.1" form and the enlisted person shall submit Turnover Tax return in "Mushak-9.2" form. Value Added Tax and Turnover Tax Return shall have to be submitted to the Commissioner, and except submission through online, it shall be signed and verified by the person mentioned below, viz:-

- registered or enlisted person;
- if the said person is not present in Bangladesh or for some other reason it is not possible for him to sign the return, then by a person properly authorized by him or by any other person who is in possession of the Power of Attorney to sign on that person's behalf;
- VAT consultant who has been properly authorized by the registered or enlisted person; or
- in case of a non-resident person, by his agent.

With the purpose of submitting the return to the Commissioner, it may be dropped to the following places, viz:

- VAT Online system of the Board through online;
- Customs, Excise and VAT Commissionerate or Divisional Office or local Value Added Tax office related to the registered or the enlisted person;
- Any place designated by the Board or the concerned Commissioner;
- Any fair conducted by the Board or by the concerned Commissioner;
- Any other place designated by an order of the Board.

□ *Procedure of late submission of return [Rule 48]:*

- If a registered or enlisted person wants to submit return with delay in a tax period, he may file an application to the Commissioner in "Mushak-9.3" form within minimum 7 (seven) days before the end of the said tax period by citing proper reasons.
- If the Commissioner considers the reasons mentioned in the application as valid, he shall grant his approval within 7 (seven) days of receiving the application. In case the Commissioner does not give his decision within 7 (seven) days of receiving the application, it shall be deemed to have been approved.
- If late submission of return is approved and if it is submitted within the approved time, then the concerned registered or enlisted person shall not have to pay fine under section 85(1)(f) but he will have to pay interest under section 127.
- If the registered or enlisted person does not take pre-approval of the Commissioner under this Rule for late submission of return, he shall have to pay fine under Clause (f) of Sub-Section (1) of section 85 and interest under section 127.

□ *Amendment of return [Rule 49]:* After the submission of VAT or Turnover Tax return by a taxpayer, the submitted return may be amended in the following cases, viz:-

- If there is any clerical error;
- If the amount of tax paid is less because of some errors in calculation;
- If the amount of tax paid is more because of some errors in calculation; or
- If any other types of error is committed excepting forgery.

Rule 48(2) states, immediately after such errors are identified, the taxpayer-

- through return of concerned tax period by online; or
- in form "Mushak-9.4", shall submit application to the Commissioner; and
- in the application shall cite in details the reasons of error and the need for amendment.

Application for amendment can be submitted within 4 (four) years of submission of the relevant return; and cannot be submitted if the VAT authority starts any audit or enquiry or in any other manner the error is discovered. The Commissioner shall give his decision on the said application within 30 (thirty) days of receiving such an application if net tax of the concerned tax period requires to be lessened through amendment of return [Rule 48(4)]. If an application received under Sub-Rule (2) has not been approved within the time determined under Sub-rule (4), it shall be deemed to have been approved. In case any request of amendment of return is submitted by the taxpayer before the receipt of the audit notice and because of the submission of amended return the amount of net payable tax is increased, in that case-

- interest will have to be calculated on the applicable less paid tax under section 127; and
- to pay the less paid tax along with the interest, no penalty or fine can be imposed for reasons of amendment of return.

Where a request to amend the return is submitted by the taxpayer before the receipt of audit notice and because of the amendment of return the amount of net payable tax decreases, taxpayer will act as follows.

- *In case of Value Added Tax return:* The taxpayer will be able to make a decreasing adjustment equal to the additional amount within the tax period determined by the Commissioner;
 - *In case of Turnover Tax return:* The taxpayer will be able to deduct an amount from his payable Turnover Tax equal to the additional amount within the tax period determined by the Commissioner; or
 - *In case of withholding entity:* Will receive tax refund according to the Act as determined by the Commissioner.
- ☐ *Complete, additional or alternative return [Rule 50]:* According to Rule 50(1), the Commissioner shall direct any person to submit a 'complete', 'additional' or 'alternative' return, be it on behalf of the said person or as an agent or trustee of someone else, after determining the tax period and the time of submission of return. The said person, on receiving the order under Sub-Rule (1) shall submit a "complete, additional or alternative" return within the time mentioned in the order. If the said person has already submitted regular return for the said tax period, it shall be deemed to have been replaced by the submitted "complete, additional or alternative return" under this Rule. Failure to submit or non-submission of "complete, additional or alternative return" within the time described in Sub-Rule (1) shall be deemed as a failure or irregularity under Clause (f) of Sub-Section (1) of Section 85.
- ☐ *Calculation of time while submitting the return by post/by messenger [Rule 51]:* In the case of the returns are sent by post or by messenger, the time limit mentioned in sub-section (1) of section 64 shall be calculated from its receipt.

22.26 CARRY FORWARD OF NEGATIVE AMOUNT & REFUNDS

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According to section 68, if in a tax period, the sum of input tax and the receivable decreasing adjustments exceeds the sum of output tax, supplementary duty and increasing adjustments for such tax period, then the additional amount of money has to be carried forward and the above money can be debited in the next six tax periods, subsequently the remaining money has to be given refund as per this section. A registered person shall be allowed a decreasing adjustment for excess amount of money carried forward from earlier tax periods in the following manner-

- ☐ in a subsequent tax period, the amount of tax payable for such period shall be

determined by taking into account all output taxes and all adjustments other than the adjustments allowed under this section;

- ☐ if the amount of money thus assessed is positive, such portion of the excess amount of money carried forward from the earlier tax periods shall be allowed as decreasing adjustments as would reduce the payable amount of money to nil;
- ☐ such amounts of money carried forward from earlier tax periods as cannot be adjusted under clause (b), shall be carried forward until-
 - all the excess amount carried forward is deducted for a tax period; or
 - a portion or all of the excess amount of money carried forward for a particular period is carried forward for six tax periods.

If after carrying forward for 6 tax periods, amount remains unadjusted, then-

- ☐ if such amount does not exceed Tk. 50,000, it shall continue to be carried forward until it is reduced to nil; or
- ☐ in other cases, such amount of money, shall, on receipt of an application made on such terms and in prescribed manner, be refunded within 3 (three) months.

Refunds Without Carry Forward of Net Negative Amounts of Money

As per Section 69, notwithstanding anything contained in the provisions of section 68, if the amount of money payable by a registered person is in the negative, such person shall be entitled to a refund of such amount if the Commissioner is satisfied that -

- ☐ fifty percent or more of such person's turnover is or will be derived from zero-rated supplies under Chapter Three;
- ☐ fifty percent or more of such person's expenditure on inputs is on imports or acquisitions used in the manufacture of zero-rated supplies under Chapter Three;
- ☐ in other cases, the Commissioner is satisfied that the nature of such person's economic activity (the economic activity to which subsection (2) of section 68 does not apply), regularly results in excess input tax credits;
- ☐ such person's payment of supplementary duty for input is adjustable against the export of goods and such person isn't involved in local supply of goods on which supplementary duty is applicable.

When an application, on the terms and in the manner as prescribed under this section, is made for a refund of money and if the amount does not exceed Tk. Fifty thousand (50,000.00) only, such amount shall be carried forward as a decreasing adjustment in the next tax period; or the Commissioner shall, in other cases, refund the money within 3 (three) months from the date of the application.

Application of the Refunded Money [Section 70]

No refund of money shall be made to a person under section 68 or 69 unless and until the applicant files all VAT returns up to the current tax period. If a refund becomes payable to a person, the Commissioner shall apply the refund first in reduction of any outstanding liability of the person for taxes (including interest, monetary penalties, or fines) payable under this Act [section 70(2)]. After application of sub-section (2), if

there is a remainder of money and such amount does not exceed Tk. Fifty thousand (50,000.00) only, the Commissioner may choose not to refund the amount and may, instead, accord permission to the registered person to treat the amount as a decreasing adjustment in a tax period determined by the Board.

Refund or Adjustment of Taxes Paid in Excess [Section 72]

If a person pays taxes in excess of what is shown as payable tax in the return for a tax period, such excess payments may, within such time, on such terms and in such manner as may be prescribed, be claimed as refund through an application or may be shown as a decreasing adjustment in the next return.

22.27 VALUE ADDED TAX AUTHORITIES

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According to section 78 of the Value Added Tax and Supplementary Act, 2012, the Board appoints certain officials for the purpose of effective application of the VAT law and rules. These officials, as a whole, are known as Value Added Tax authorities. They hold the sole responsibility to execute the provisions of laws relating to VAT, TT and SD applicable in Bangladesh and to run various departments formed for streamlining the functions like identification of assesses, computation and collection of VAT and other relevant taxes, receiving application in this regard and appeal, settling the appeals, imposition of fines and penalties for offences etc.; even doing necessary adjustments in VAT law, as and when necessary.

Types of VAT Authorities

VAT authorities may be classified into two major groups depending on their functions and powers, namely

- ☐ **Administrative Authorities:** To look after the total administration of VAT wing starting from identification of assessee to the collection of VAT, TT and SD from the assessee. They are also responsible to maintain an effective co-ordination in administration, management and control among various VAT offices of the country.
- ☐ **Judicial Authorities:** To hear the claims of the assessee and settle the claims through providing verdict as early as possible.

These two authorities with office bearers are depicted exhibit 21.4 in order of their respective power, authorities and responsibilities.

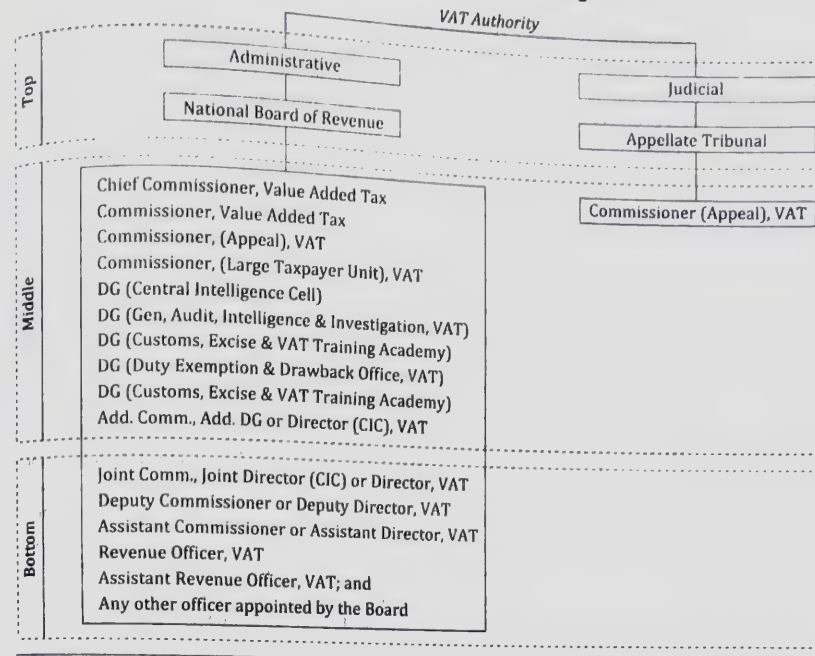
Duties and Responsibilities of the VAT Authority [Section 79]

The Board shall, under the provisions of this Act, carry out all the functions, including the policy making functions, and discharge all the duties and exercise all the powers of the VAT Authority. The VAT officials shall perform, while remaining under the control, surveillance and supervision of the Board, all or any of the functions, discharge all or any of the responsibilities and duties, and exercise all or any of the powers described below, namely;

EXHIBIT

22.4

Value Added Tax Authority



- ☐ tax collection and activities relating to keeping accounts thereof;
- ☐ application of the provisions of this Act and the rules made thereunder and administrative functions; and
- ☐ any other function or duties and responsibilities assigned to them by the Board to carry out the purposes of this Act.

Subject to such limitations and conditions as may be determined by the Board, by a general or special order, the VAT officers shall, under the provisions of this Act or the rules made thereunder, perform all-

- ☐ such functions discharge such responsibilities and duties, and exercise such powers as may be bestowed upon them; and an official junior in rank and status shall perform all such functions, discharge all such responsibilities and duties, and exercise all such powers as may be given by an officer senior in rank and status to such official; and

- ☐ such functions, discharge such responsibilities and duties, and exercise such powers through or arrangement whereunder a senior officer may perform all the duties and responsibilities of a junior officer.

Delegation of Power [Section 80]

The Board may, by a notification in the official Gazette and subject to such limitations or conditions as may be specified in such notification, delegate to any VAT officer, by name and designation, any responsibility, duty or power of a Commissioner under this Act or the rules made thereunder. Unless the Board otherwise directs a Commissioner or a Director General may pass an order giving any VAT officer subordinate to him the authority to exercise any or all of his powers or all or any part of the jurisdiction of such Commissioner or Director General.

Assistance to VAT Officers [Section 82]

All members of the Police, Border Guards Bangladesh, Bangladesh Coast Guards, and Askars and the authorities of all Union Parishads, Upazila Parishads, Municipalities, Zila Parishads, City Corporations, and all the government officers, including the officers administering and controlling the functions relating to Excise, Customs, Income Tax and Narcotics, and officers of bank, insurance, chartered accountant firm, and financial institutions shall remain obliged to render assistance to the VAT officers in discharging their duties under this Act or any the rules made thereunder [section 82(1)]. A VAT officer not below the rank of an Assistant Commissioner may, for the purposes of taking assistance, request any member, authority, officer or any other person specified earlier [in sub-section (1)] to provide any information, including the accounts of any movable or immovable property of any person, statements of bank accounts or other documents of any person, and such member, authority, or officer, if so requested, shall remain obligated to furnish such information.

Power to Enter and Search by VAT Officers [Section 83]

To carry out the purposes of this Act a VAT officer not below the rank of an Assistant Commissioner or Assistant Director being authorized by the Commissioner or the Director General, may exercise the following powers prescribed manner [U.s 83(1)]:

- ☐ to enter any place or premises of any economic activity or into any house, transport, etc. make search, and if needed seizure and detention therein; and
- ☐ to inspect any economic activity and examine and seize its records, files, documents and accounts.

If the place specified above be a place of abode of any person, it shall require such officer to serve in the prescribed manner, a notice upon the owner or the person-in-charge or superiors of such place and no such entry shall be made during the period from sunset to sunrise. If any person contravenes any provision of this Act or any rule

made thereunder, a VAT officer of the rank of an Assistant Commissioner and above may, in the prescribed manner, request the concerned bank authority to freeze the bank account of such person.

Notwithstanding anything contained in sub-section (1), an officer not below the rank of a Revenue Officer can inspect the place of manufacturing or supply or place or place of service rendering or place of trading and examine goods in stock, services, raw-materials and accounts of any registered and worth of being registered person in his jurisdiction.

Seizure of Goods and Disposal Thereof [Section 84]

If any person makes any supply or renders any service in violation of any provision of this Act or any rule made thereunder, the Commissioner or Director General or VAT officer empowered by him may, in the prescribed manner, detain, seize and dispose of such goods, documents or transport or the goods related to such service.

During the pendency of a proceeding, the Commissioner may, in such manner and on such terms as may be prescribed, order for ad-interim release of any good seized (as mentioned earlier) to the owner of such good or his representative. Exhibit 22.5 presented the imposition of monetary penalty for non-compliances or irregularities or tax evasion as per section 85 and monetary limits of the VAT officers in initiating a proceeding for adjudication as per section 86.

EXHIBIT

22.5

Consequence of Non-compliances or Irregularities

Imposition of monetary penalty for non-compliances or irregularities or evasion [section 85]:
The respective VAT Officer mentioned in section 86 may impose a monetary penalty as specified below:

	Amount of monetary penalty
• Non-compliance or irregularity for not applying for registration or enlistment within the prescribed time-limit;	Tk. 10,000
• Non-compliance or irregularity for not displaying the registration or turnover tax certificate in a visible place;	Tk. 10,000
• Non-compliance/irregularity for not informing the Commissioner of the change in the information of the economic activity;	Tk. 10,000
• Non-compliance or irregularity for not applying for cancellation of registration or enlistment within the prescribed time-limit	Tk. 10,000
• Non-compliance or irregularity for not abiding by section 9(S);	Tk. 10,000
• Non-compliance or irregularity for not filing the VAT or turnover tax return within the prescribed time period;	Tk. 5,000

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OFFENCE, TRIAL AND PUNISHMENT

Offences Relating to VAT Registration Certificate or Turnover Tax Certificate and Tax Invoice, and Punishment Thereof [Section 111]

Whoever dishonest shall be punished with imprisonment for a term which may extend to one year, or with a fine equal to the amount of tax payable, or with both. If any person, during making application for online registration or enlistment, provides wrong or untrue information, then necessary measures may be taken against that person in view of the current law. Here, the term dishonest implies dishonestly.

- ☐ makes or uses a fake VAT registration certificate, turnover tax certificate or tax invoice and withholding certificate bearing a forged or false business identification number; or
- ☐ makes or uses a forged or false tax invoice, credit note, debit note, withholding certificate;
- ☐ produces, preserves, transport, marketing or uses a forged or false or reused stamp or banderol or assist in such activities;
- ☐ produces, stores, transport, marketing or selling any product with a forged or false or reused stamp or banderol or assist in such activities;
- ☐ produces, stores, transport, marketing or selling any product without using stamp or banderol, where the use of it is mandatory or assist in such activities; or
- ☐ evades payment of the payable tax otherwise; or
- ☐ claims a tax refund without such person being entitled to such refund.

Offence and Punishment Relating to False or Misleading Statement or Description [Section 112]

Whoever dishonestly makes a false or misleading statement or description in any tax document submitted to any VAT officer shall be punished with imprisonment for a term which may extend to 6 (six) months, or with a fine equal to the amount of tax payable, or with both.

Offence and Punishment for Obstructions [Section 113]

Whoever, with a mala fide intention, obstructs or attempts to obstruct any VAT officer in discharging his duties under this Act or any rule made there under shall be punished with imprisonment for a term which may extend to 6 (six) months, or with a fine which may be not less than 10 (ten) thousand Tk. and not more than 2 (two) lakh Tk., or with both.

Investigation, Trial, and Appeal of the Offence [Section 114]

Notwithstanding anything contained in the Code of Criminal Procedure or in any other law for the time being in force, the offences shall be triable by a First Class Judicial Magistrate or Metropolitan Magistrate empowered under the Code of Criminal Procedure and may impose any amount of fine prescribed in this Act. The offences shall be bail able and non-cognizable. No such Judicial Magistrate or

Non-compliance or irregularity for not making inclusion of the output tax in the return	Minimum: half and Maximum: output tax not included,
Irregularity in taking more input tax credit than entitlement in the return	Min: half and Max. amount of input tax irregularly taken;
Irregularity relating to making of undesirable adjustment (increase of a decreasing adjustment or making a decrease of an increasing adjustment) in the return	Min. half and Max. amount of undesirable adjustment,
Non-compliance or irregularity for not issuing tax invoice, credit note, debit note and withholding certificate	Tk. 10,000
Non-compliance or irregularity for not keeping records in the prescribed manner	Tk. 10,000
Non-compliance or irregularity for not furnishing fixed security;	Tk. 10,000
Irregularity for wilfully evading or attempting to evade assessment and payment of taxes	Twice the amount of taxes evaded
Failure or irregularity of non-submission of Input Output coefficient within the prescribed time	Tk. 10,000
Non-compliance of the provisions of section 51, 53, 54, 64 and 107 for registered goods or services	Tk 1 (one) lac only

Mandatory limits of the VAT officers in initiating a proceeding for adjudication [section 86]:

To carry out the purposes of this Act or the rules made thereunder, or for the imposition and collection of taxes (a) in relation to imports and exports the Customs Officers shall initiate proceedings in accordance with the provisions of the Customs Act, (b) in relation to supply of goods or services, the VAT officers shall, subject to the mandatory powers specified below, initiate proceedings under the provisions of this Act.

Provided that the proceedings, which do not have any financial involvement, i.e., related to irregularity, those proceedings shall be disposed of by VAT officials not lower than Assistant Commissioner rank. Every VAT official shall, if a proceeding taken up under the provisions of this section, provide the concerned person an opportunity of being heard through service of a notice upon such person.

If any person in the case of failure or irregularity or evasion, applies for summary adjudication, then in that case, the adjudicating officer can complete adjudication procedure in the said case without issuing show cause notice and taking hearing.

Officer	Power [value of the goods or value of taxable service]
Commissioner	exceeding Tk. 1,00,00,000
Additional Commissioner	not exceeding Tk. 1,00,00,000
Joint Commissioner	not exceeding Tk. 5,00,00,000
Deputy Commissioner	not exceeding Tk. 3,00,00,000
Assistant Commissioner	not exceeding Tk. 2,00,00,000
Revenue Officer	not exceeding Tk. 500,000

Note: Rule 62 to 65 enumerated the details procedure in this regard.

Metropolitan Magistrate shall take cognizance of an offence except through a complaint, in writing, made, subject to the approval of the Commissioner, by an officer of VAT not below the rank of an Assistant Commissioner.

The VAT officer shall, in such manner and within such time as may be prescribed, complete the investigation of any offence punishable under this Act. Such Judicial or Metropolitan Magistrate shall try the offences following the summary trial procedure laid down in the Code of Criminal Procedure, and the appeal, review and revision in respect of such offences shall be filed and disposed off in accordance with the provisions laid down in the Code of Criminal Procedure.

Offence Committed by Any Company, Association of Persons or Property Development Joint Venture [Section 116]

If an offence is committed by any company or association of persons or property development joint venture, every director, partner, chief executive, manager, secretary, official, employee, representative or VAT Agent thereof having involvement with such offence shall be deemed to have committed such offence unless he proves that such offence was committed without his knowledge or he tried his best to prevent the commission of such offence. A company may be tried and punished in the same judicial proceeding which is lodged against such director, partner, chief executive, manager, secretary, official, employee, representative or VAT Agent of such company, but no imprisonment other than fine shall be impossible upon such company.

Other Relevant Provisions

- **Additional Power of the Judicial Magistrate or the Metropolitan Magistrate [Section 115]:** For this Act, the Judicial Magistrate or the Metropolitan Magistrate shall also have the power to freeze the bank accounts of a person committing the offence.
- **Abettor of Offence [Section 117]:** Whoever abets or gives support or incites or excites a person in the commission of any offence, shall be deemed to have been an offender as a committer of such offence, and shall be punished similarly as such committer is punished.
- **Prior Approval Before Filing A Case [Section 118]:** Without the prior approval of the Commissioner, no case in respect of any offence shall be filed in any court.
- **Compoundability of the Offences [Section 119]:** The offences shall, in the prescribed manner, be compoundable. Every case before or after the prior approval of the Commissioner for filing thereof, is compromisable in such manner and on such terms as may be prescribed by the Board, but after filing such case, permission of the court shall be required to make such compromise.
- **Fine additional to the tax payable [Section 120]:** The fine imposed as punishment by a Judicial Magistrate or a Metropolitan Magistrate shall be in addition to VAT, supplementary tax, turnover tax or monetary penalty.

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APPEALS AND REVISIONS

Chapter – 22 Value Added Tax and Supplementary Duty

Appeal to Commissioner (Appeal) [Section 121]

According to subsection (1) of section 121, if any person or any VAT officer is aggrieved by a decision taken or order issued under this Act or the rules made there under by any Additional Commissioner or any VAT officer below the rank of an Additional Commissioner may, within 90 (ninety) days from the date of issue of such decision or order, lodge an appeal in the prescribed manner to the Commissioner (Appeal), except against an order of seizure or sale issued under section 95 in case of the Customs Act in the case of imported goods. Where a person other than a VAT officer prefers an appeal under subsection (1), he shall, at the time of filing such appeal, pay 10% of the tax specified (excluding fine) in the impugned order. Provided that if the Commissioner (Appeal) is satisfied that the appellant could not file the appeal within the said 90 days' time due to obvious reasons, he may permit the appellant to file the appeal within next 60 days of the expiry of the above period.

The Commissioner (Appeal) shall, after giving an opportunity of proper hearing to the parties to the appeal in the prescribed manner, dispose of the appeal within a period not exceeding 1 year. The Commissioner (Appeal) may uphold, change or set aside the impugned decision or order, or may pass such order as he thinks fit and proper. *Provided that he shall not, de novo, send the case on remand for reconsideration.*

In the interest of deciding an appeal, the Commissioner (Appeal) may, in the prescribed manner and within the prescribed time, make such further scrutiny or hold such further enquiry, collect such further information or make such further verification of the accuracy of the proceedings in respect of the impugned matter as may be necessary. Notwithstanding anything contained in this Act or the rules made there under, if the Commissioner (Appeal) fails to dispose off an appeal within the stipulated time, such appeal shall be deemed to have been granted by the Commissioner (Appeal).

Appeal to Appellate Tribunal [Section 122]

According to section 122(1), if any person or any VAT officer is aggrieved by a decision taken or order issued under this Act or any rule made there under by any Commissioner or Commissioner (Appeal) or Director-General or by any VAT officer holding the same rank may, within 90 days from the date of service of such decision or order, prefer an appeal in the prescribed manner before the Appellate Tribunal, or order, prefer an appeal in the prescribed manner before the Appellate Tribunal, except against an order of seizure or sale issued u/s 95 in case of supply of goods or provision of services or those issued u/s 82 and 98 of the Customs Act in the case of imported goods. The time period for appeal may be extended by 60 days, if allowed by the president, Appellate Tribunal, for logical ground.

Where a person, other than a VAT officer, prefers an appeal under subsection (1), he shall, at the time of filing such appeal, pay 10% of the tax specified (excluding fine)

in the impugned order. Provided, while filing appeal to the Customs, Excise and VAT Appellate Tribunal against the order passed by the Commissioner (Appeal) under subsection (1), the aggrieved person shall not require depositing any portion of the tax demanded or fine imposed upon him. The Appellate Tribunal, after hearing the parties to the appeal, may pass such order as it thinks fit and proper, including an interim order staying the collection of tax. Any interim order of the Appellate Tribunal order staying collection of tax shall cease to have effect on the day after the expiry of a period of 6 (six) months following the day on which it was passed unless the case is finally decided, or the interim order is withdrawn by the tribunal earlier.

Notwithstanding anything contained in this Act or the rules made there under, if the Appellate Tribunal fails to dispose off the appeal within a period of 2 (two) years, the appeal shall be deemed to have been granted by the Appellate Tribunal. Notwithstanding anything contained contrary in any provision of this Act, for reasons of epidemic, pandemic, acts of God or war, the government, in public interest, by an order, can extend the time limit for disposal of appeal by Appellate Tribunal for that period of danger. The order of such extension of time limit can be given with retrospective effect. The functional procedures of the Appellate Tribunal and of its branches shall be determined by the Tribunal itself. Every proceeding before the Appellate Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Penal Code (Act XLV of 1860) and the Appellate Tribunal shall be deemed to be a Civil Court under the Code of Civil Procedure.

Burden of Proof in a Proceeding [Section 123]

In the case of proving the points at issue of any proceeding before the Commissioner (Appeal) or the Appellate Tribunal, the affidavit submitted by the Commissioner in the prescribed manner shall be treated as a conclusive proof thereof unless the taxpayer may prove otherwise rebutting the contents of such affidavit. A copy of the notice issued by the Commissioner and other concerned documents shall be attached with such affidavit.

Appeal to the High Court Division [Section 124]

According to subsection (1) of section 124, any person or any VAT officer not below the rank of a Commissioner or a Director- General, aggrieved by an order of the Board or of the Appellate Tribunal, may prefer an appeal before the High Court Division of the Supreme Court on questions of law of such order. Notwithstanding anything contained in any other law for the time being in force, the provisions of the Code of Civil Procedure shall, as far as possible, apply to the matters of such appeal.

In relation to submission of an application for appeal before the High Court Division under sub-section (1), the provisions of section 5 of the Limitation Act, 1908, shall apply. Moreover, in relation to submission of an application for appeal before the High Court Division, under sub-section (1), by a person other than an officer of VAT,

Income Tax-49(B)

such person shall, at the time of filing such revision application, pay 10 (ten) percent of the payable tax (excluding fine) specified in the impugned order.

Alternative Dispute Resolution [Section 125]

Notwithstanding anything contained in any other provision of this Act, a taxpayer may, in the prescribed manner, on the prescribed terms and within the prescribed time, apply to a facilitator, selected by him from the prescribed panel, to have a dispute resolved through alternative dispute resolution process; and the facilitator may, in the prescribed manner, on the prescribed terms and within the prescribed time, take steps to resolve such dispute, on the basis of consensus, through alternative means. The Board may, by a notification in the official Gazette, designate, from time to time, one or more of the VAT Commissionerates for processing the applications of alternative dispute resolution.

If a dispute is resolved based on consensus through alternative dispute resolution, no objection in respect of such consensus shall be raised in any court, and the disputes which cannot be resolved on such consensus through alternative dispute resolution process, may again be taken up for proceeding under the provisions of this Act. If a dispute or any part thereof could not be resolved through alternative dispute resolution process, the time spent for such resolution shall not be included in calculating the time for filing an appeal.

Explanation: In this section, "dispute" means a dispute arising out of the application of any provision of this Act or any rule made there under but does not include forgery or criminal offence or a dispute involving a question of law.

22.30 MISCELLANEOUS

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Exemption [Section 126]

The government may, by notification in the official Gazette, exempt importation or supply of any goods or class of goods or rendering of any service from VAT, SD, Advance tax chargeable under this Act, subject to any limitation or condition specified in the notification.

Granting Reward and Efficiency Incentive [Section 126A]

Notwithstanding anything contained to the contrary in this Act or in any other law for the time being in force, the Board may, in prescribed manner and rules, grant reward incentive to the following persons, namely:-

- ☐ any person who supplies to a VAT Officer information about violation of any provisions of this Act or of any other law for the time being in force or evasion or attempt of evasion of tax or revenue payable thereunder and total revenue evaded or part thereof is realized on the basis of the information supplied;

- ❑ any VAT Officer (an officer/employee of any other Government organization or of a local authority who detects or uncovers the evasion or attempted evasion of tax or revenue payable under this Act or any other law for the time being in force or identifies violation of any provision thereof and consequently evaded revenue of identification or uncovering is realized; or
- ❑ such other VAT Officer or employee or any such person working for the government or any other government agency who realizes the tax realizable under this Act by any other means other than the steps mentioned above.

Imposition of Interest on Payable Tax [Section 127]

If a person fails to pay a tax payable to the Commissioner or concerned officer w/s 86 on or before the due date of payment, he shall be liable to pay an interest at a simple rate of one percent per month on the amount of payable tax, from the next day after the date the payment becomes due to the date the payment is made. But provided that in the case of realization of arrear arising from VAT deduction at source, six monthly 2 (two) percent simple interest shall require to be paid on the payable amount of tax.

Explanation: Here "till the date of payment" means the day of payment inclusive of the time of appeal disposal from the next date of the ascertained date, but not more than 24 (twenty-four) months.

The commissioner shall recover the interest from such person in the same manner as taxes are recovered. If a person pays an interest and an amount to which the interest relates is found not to have been payable, the interest paid on such amount shall be refundable. Interest shall be payable in addition to any monetary penalty or fine.

Bar to the Lodgment of Suits in the Court [Section 129]

No proceeding other than the proceeding or judicial proceeding under this Act or any rule made there under shall lie to any court against an order passed or decision made or action taken (tax determination, tax imposition, imposition of monetary penalty, imposition of interest, any audit, enquiry or investigation or other similar matters for amendment or cancellation of tax recovery) by the Board or by a VAT Officer.

Appointment of VAT Consultant [Section 130]

Any person may be appointed from among CA, CMA or Chartered Secretary or licensed VAT Consultant for providing advice to a taxpayer or for representing him in any proceeding, as per the prescribed manner specified by the Board.

SELF - REVIEW

22.2

Who will pay value added tax?

Certified Copy of Documents [Section 132]

The commissioner may, upon an application made by a taxpayer, issue, on such terms and in such manner as may be prescribed, a certified copy of the following documents, namely:-

- ❑ any document or paper submitted by the taxpayer to the VAT officer;
- ❑ any document submitted to any VAT officer as a proof of withholding of tax by any withholding entity; or
- ❑ any other document specified by the Board.

Issuance of VAT Clearance Certificate [Section 133]

A taxpayer may, on the prescribed terms and in the prescribed manner, make an application to the Commissioner for a VAT clearance certificate. The Commissioner may, in the prescribed manner, issue a VAT clearance certificate to such applicant if he is satisfied that- no tax is in arrear with, or payable by, such taxpayer; or a security deposit is furnished by the taxpayer for the payment of the tax.

SOLVED PRACTICAL CASES (SPC)

DETERMINING SELLING PRICE

If 'A' purchases goods worth Tk. 20,000 from the manufacturer and adds value of Tk. 5,000, calculate the total sale price of the product, if VAT levied @ 15%.

Solution

Cost price		Tk. 20,000
Value added		5000
VAT (15%)	= Tk. 5,000 × (15 ÷ 100)	750
Total Sales Price		Tk. 25,750

DETERMINING VALUE ADDED, VAT

Ms. R purchases cotton fiber @ Tk. 50 per kg and 1 kg of fiber produces 2 meters of cloth. She again sold this cloth in the market @ Tk. 42.25 per meters, VAT levied on the cloth is 15%. Calculate the VAT collected by the govt. in this whole transaction?

Solution

Cost of cotton fiber	= Tk. 50
Selling price of cloth	= Tk. 42.25 × 2 = Tk. 84.5
Difference	= Tk. 34.5
Thus, 34.5 = Value added + VAT	
⇒ 34.5 = x + 0.15x (assuming value added = x)	
⇒ 34.5 = 1.15x	
⇒ x = 34.5/1.15	
⇒ x = 30	

So, value added amount = Tk. 30 and VAT on it = (Tk. 30 × 15%) = Tk. 4.5

SPC
22.3

DETERMINING SELLING PRICE, VAT

Mr. Sinha purchases 10 computers @ Tk. 17,500 per computer. On each computer he earns Tk. 2,000 and pays VAT @ 15%. What will be the total sale price of these 10 computers and how much VAT he has to pay?

Solution

Cost of one computer
Value added (profit)
Total
VAT (15%)
Selling price of one computer
Total selling price of 10 computers
Total VAT paid

Tk. 17,500
2,000
19,500
300
Tk. 19,800
Tk. 198,000
Tk. 3,000

SPC
22.4

VAT PERCENTAGE, VAT PAID

A washing machine dealer, purchases 5 washing machines (WM) @Tk. 22,000 per unit and 2 WM @ Tk. 25,000 per unit from the company. After earning profit of Tk. 6,000 on each machine, the dealer sells 5 WM at Tk. 28,900 and 2 WM at Tk. 31,900. How much percentage of VAT he has paid and what is the total amount paid by him to the government as VAT.

Solution

Cost of 5 Washing Machines = Tk. 5 × 22,000
Profit earned = 5 × 6,000
Total = Tk. [5 × 28,900]
Selling price = Tk. (144,500 - 140,000)
VAT Paid
VAT (%) = $(4,500 \div 30,000) \times 100$
Cost of 2 Washing Machines
Profit added
VAT (15%)
Total selling price
Total VAT paid = Tk. (4,500 + 1,800)

Tk. 110,000
30,000
140,000
144,500
4,500
15%
Tk. 50,000
12,000
1,800
Tk. 63,800
Tk. 6,300

SPC
22.5

DETERMINING VAT

Suppose a computer dealer sells computer at Tk. 13,500 and he purchases the same computer at Tk. 8,000. VAT levied on computers is @ 15% but he gets rebate @ 5%. Calculate how much VAT he has to pay and how much is the total collection of VAT by the government.

Solution

Cost Price = Tk. 8,000; Selling Price = Tk. 13,500; Profit + VAT = Tk. 5,500
VAT (%) = $(15 - 5) = 10\%$

$$\Rightarrow 5,500 = \text{profit} + 10\% \text{ of profit}$$

$$\Rightarrow 5,500 = x + 0.1x \text{ (assuming profit} = x\text{)}$$

$$\Rightarrow 5,500 = 1.1x$$

$$\Rightarrow x = 5,000$$

So, VAT paid = Tk. (5,500 - 5,000) = Tk. 500

SPC
22.6

DETERMINING VAT PAID

A dealer purchases dish washer (DW) at Tk. 15,000 and further sells it at Tk. 20,200. If VAT levied on DW is 4%, calculate profit earned by him and how much VAT he has to pay to the govt. Also calculate the total VAT given to the govt. in this whole transaction.

Solution

Cost Price of Dish washer = Tk. 15,000
Selling Price = Tk. 20,200
Difference = Tk. 5,200

Let's assume value added = x
 $\Rightarrow \text{Tk. } 5,200 = x + 4\% \text{ of } x \Rightarrow 5,200 = 1.04x$
 $\Rightarrow x = 5,000$

So, Profit earned = Tk. 5,000
VAT paid = Tk. 200

SPC
22.7

DETERMINING VAT, SELLING PRICE

Sumon purchases 100 Wall Clocks (WC) @ Tk. 70 per unit and he sold all these WC to Nikhil at Tk. 9,300 where he earns profit of Tk. 2,000. After adding value of Tk. 30 per unit Nikhil sells these WC in the market. If VAT is same on all these clocks, calculate how much VAT Sumon has to pay and at what price Nikhil sells these WC in the market.

Solution

Price paid by Sumon = Tk. (100 × 70) = Tk. 7,000
Profit earned = Tk. 2,000
Total = Tk. 9,000
Selling price (including VAT) = Tk. 9,300
VAT = Tk. 300
VAT (%) = $(300 \div 2000) \times 100 = 15\%$
Price paid by Nikhil = Tk. 9,300
Value added = Tk. 3,000
Total = Tk. 12,300
So, VAT = Tk. 3,000 × (15 ÷ 100) = Tk. 450
Selling Price = Tk. (12,300 + 450) = Tk. 12,750

SPC
22.8

DETERMINING VAT, SALES TAX

A wholesaler purchases 15 meters of cloth from the manufacturer @ Tk. 80 per meter and sells to the retailer after adding value of Tk. 20 per meter. The retailer sells the cloth and making a profit of Tk.50 per meter. Calculate how much total tax was paid to the government in the whole transaction, through (i) VAT and (ii) Sales tax method, considering both taxes were levied @15%.

Solution

(i) Wholesaler's Cost Price	= Tk. 15 × 80	= Rs. 1200
VAT (15%)	= Tk. 180	
Total	= Tk. 1380	
Value added	= Tk. 15 × 20	= Tk. 300
VAT	= Tk. 300 × 15%	= Tk. 45
Retailer's cost	= Tk. 1725	
Value added by retailer	= Tk. 15 × 50	= Tk. 750
VAT	= Tk. 750 × 15%	= Tk. 112.5
Net selling price	= Tk. 2587.5	
Total VAT paid	= Tk. [180 + 45 + 112.5]	= Tk. 337.5
(ii) Wholesaler's Cost Price	= Tk. 1200	
Sales Tax (15%)	= Tk. 180	
Total	= Tk. 1380	
Value added	= Tk. 300	
Total	= Tk. 1680	
Sales Tax	= Tk. 1680 × 15%	= Tk. 252
Total	= Tk. 1932	
Value added by retailer	= Tk. 15 × 50	= Tk. 750
Total	= Tk. (1932 + 750)	= Tk. 2682
Sales Tax	= 15% of 2682	= Tk. 402.3
Net Selling Price	= Tk. 3084.3	
Total Sales Tax paid	= Tk. [180 + 252 + 402.3]	= Tk. 834.3

SPC
22.9

DETERMINING VAT, SALES TAX FOR DIFFERENT PARTIES

A manufacturer sold a TV set @ Tk.20,000 to the wholesaler. The wholesaler sells it to a retailer @ Tk.25,500 and the retailer finally sells it to the customer @ Tk.31,000. If VAT or sales tax whatever is levied is 15% extra at every stage, calculate the total tax collected by the government through (i) VAT and through (ii) sales tax.

Solution

(i) Wholesaler's cost Price	= Tk. 20,000
VAT (15%)	= Tk. 3,000
Total	= Tk. 23,000
Since, he sells at Tk. 25,500, value added	= Tk. 2,500
VAT (15%)	= Tk. 375

Cost of Retailer

Retailer sells at Tk. 31000. Therefore, Value added = Tk. 25,875
VAT (15%) = Tk. 5,125
Hence, total VAT paid = Tk. [3,000 + 375 + 768.75] = Tk. 768.75

(ii) When sales tax is paid		
Sales Tax by Manufactures		= Tk. 3,000
Sales Tax by Wholesaler	= Tk. 25,500 × 15%	= Tk. 3825
Sales Tax by retailer	= Tk. 31,000 × 15%	= Tk. 4650
So, Total Tax	= Tk. [3,000 + 3825 + 4650]	= Tk. 11,475

SPC
22.10

DETERMINING VAT, SALES TAX

A firm produces 100 units of an item per day and sells all @ Tk. 20 per unit to the wholesaler. If the Wholesaler added Tk. 500 as his profit and sells to retailer who adds Tk.1,000 while selling, then calculate the total tax collected by the government, through (i) VAT and through (ii) sales tax if both taxes are levied @15%.

Solution

Cost of wholesaler (100 @ Tk. 20)	Tk. 2,000	Value added by retailer	Tk. 1,000
VAT	300	VAT (15%)	150
Total	2,300	Total	Tk. 4,025
Value added (by wholesaler)	500	Total VAT (Tax)	
VAT (15%)	75	[300 + 75 + 150]	Tk. 525
Total	Tk. 2,875		

If sales tax is paid:

Cost of wholesaler (100 @ Tk. 20)	Tk. 2,000
Sales tax	300
Total	2,300
Value added (by wholesaler)	500
Tax	420
Total	3,220
Value added by retailer	1,000
Total	Tk. 4,220
Tax	Tk. 633
Total	Tk. 4,853
Total tax paid	
[300 + 420 + 633]	Tk. 1,353

SPC
22.11

DETERMINING VAT

AS Inc, which is registered in the VAT Register, purchases goods during a VAT period worth Tk. 62,100, including VAT. During the same period, the company sells goods for Tk.150,000 excluding VAT. In the tax return for VAT, it must deduct input VAT from output VAT. What amount of VAT should be paid in this regard?

Solution

Goods sold for Tk. 150,000 excluding VAT

Output VAT: Tk. $150,000 \times 15/100$

Goods purchased for Tk. 62,100 including VAT

Input VAT: Tk. $62,100 \times 15/115$

VAT amount must be paid (Output VAT - Input VAT)

= Tk. 22,500

= Tk. 8,100

= Tk. 14,400

**SPC
22.12**

DETERMINING VAT

In a return period, M/s Sublime Traders purchased the goods for Tk. 200000/= and paid INPUT VAT Tk.30,000/-. The accounts of M/s Sublime Traders are showing a balance of VAT Tk.1000/-. They sold the goods for Tk.100000/= and charged OUTPUT VAT Tk. 15,000/-. Calculate the VAT liabilities of M/s Sublime Traders.

Solution

Balance Brought Forward from Previous Return Period

Tk. 1,000

Add: Input VAT during current Return Period

Tk.30,000

Total Input VAT

Tk.31,000

Less: Output VAT Collected on Sale

Tk.15,000

Balance of Input VAT to be carried forward to next Return Period

Tk.16,000

In above case, there is no tax liability since M/s Sublime Traders has already paid more VAT i.e., Tk.16000 =

**SPC
22.13**

DETERMINING VAT

B buys an article for Tk.10000 (VAT exclusive price) and sells the same article for Tk. 13000 (VAT exclusive price). Find the VAT amount to be paid by B.

Solution

Cost of the article

= 10000; Input VAT= 15% of Tk.10,000 = Tk. 1,500

Selling price of the article = Tk. 13000; Output VAT

= 15% of 13000 = Tk. 1950

Therefore, VAT

= Output VAT - Input VAT.

= Tk. 1950 - Tk. 1500

= Tk. 450

**SPC
22.14**

DETERMINING VAT

X buys an article for Tk.23000 (VAT inclusive price) and sells the same article for Tk. 29900 (VAT inclusive price). Find the VAT amount to be paid by X.

Solution

Input VAT

= Tk. $23,000 \div 15/115$

= Tk.3,000

Output VAT

= Tk. $29,900 \div 15/115$

= Tk. 3900

Therefore, VAT

= Output VAT - Input VAT.

= Tk. 3900 - Tk. 3000

= Tk. 900

**SPC
22.15**

DETERMINING VAT FOR WHOLESALER AND RETAILER

A manufacturer printed the price of his goods as Tk.120 per article. He allowed a discount of 30% to the wholesaler who in his turn allowed a discount of 20% on the printed price to the retailer. If the prescribed rate of VAT on the goods is 15% and the retailer sells it to the consumer at the printed price, then find the value added tax paid by the wholesaler and the retailer.

Solution

For the manufacturer, the price of the article at which it is sold

= Printed price - discount of the wholesaler

= Tk. 120 - 30% of Tk. 120

= Tk. 120 - Tk. 36

= Tk. 84

Therefore, input tax for the wholesaler = 15% of Tk. 84 = Tk. 12.60

For the wholesaler, the price of the article at which it is sold

= Printed price - discount to the retailer

= Tk. 120 - 20% of 120 = Tk. 120 - Tk. 24 = Tk. 96

Therefore, output tax for the wholesaler = 15% of 96 = Tk. 14.40

Therefore, VAT payable for the wholesaler = output tax - input tax

= Tk. 14.40 - Tk. 12.60 = Tk. 1.80

For the retailer, the price of the article at which it is sold = printed price = Tk. 120

Therefore, output tax for the retailer = 15% of Tk. 120 = Tk. 18.

Input tax for the retailer = output tax for the wholesaler = Tk. 14.40

Therefore, VAT payable by the retailer = output tax - input tax

= Tk. 18 - Tk. 14.40 = Tk. 3.60

Therefore, VAT paid by the wholesaler is Tk. 1.80 and by retailer is Tk. 3.60

**SPC
22.16**

DETERMINING VAT, SELLING PRICE

"A" is manufacturer of a pressure cooker. The cost price of each pressure cooker is Tk. 1600. He sells to "B", "B" sells to "C", and "C" sells to "D", the retailer who sells to customers. The VAT rate is 15% and profit is Tk. 200 at each stage of the selling chain. Find (i) the total amount of VAT, and (ii) the amount the consumer has to pay.

Solution

Particulars	A	B	C	D
Cost price	Tk. 1600	Tk. 1800	Tk. 2000	Tk. 2200
Selling price (with profit)	1800	2000	2200	2400
Output VAT	270	300	330	360
Input VAT	0	270	300	330
VAT to be paid	270	30	30	30

Amount that the customer has to Pay Tk. 2400 + Tk. 360 = Tk. 2760

Total amount of VAT = Tk. 270 + Tk. 30 + Tk. 30 + Tk. 30 = Tk. 360

SPC
22.17

DETERMINING VAT

The following information has been taken from the accounting records of Unilever Bangladesh Limited for the year 2023:

Raw materials inventory, January 1	Tk. 90,000
Raw materials inventory, December 31	Tk. 60,000
Work in process inventory, January 1	Tk. 180,000
Work in process inventory, December 31	Tk. 100,000
Finished goods inventory, January 1	Tk. 260,000
Finished goods inventory, December 31	Tk. 210,000

Purchase of raw materials Tk. 750,000; Direct labor Tk. 150,000; Manufacturing overhead Tk. 640,000; Selling expenses Tk. 140,000; and administrative expenses Tk. 270,000. The company sells its product by adding 15% profit on cost. Determine the amount of VAT if the rate is 15%.

Solution

Unilever Bangladesh Limited
Schedule of VAT calculation

For the year ended on December 31, 2023

	Amount	Amount
Raw materials, January 1	Tk. 90,000	
Add, Purchase of raw material	750,000	
Raw materials available for use	840,000	
Less, Raw materials, December 31	60,000	
Raw materials used in the production		Tk. 780,000
Direct labor		150,000
Manufacturing overhead		640,000
Total manufacturing cost		1,570,000
Add, Work in process, January 1		180,000
		1,750,000
Less, Work in process, December 31		100,000
Cost of goods manufactured		1,650,000
Add, Finished goods inventory, January 1		260,000
Goods available for sale		1,910,000
Less, Finished goods inventory, December 31		210,000
Cost of goods sold		1,700,000
Add, Profit [1,700,000 × 15%]		255,000
Selling price		Tk. 1,955,000

Value Added Tax:

VAT on output [1,955,000 × 15%]	= 293,250
Less, VAT on input i.e. Raw material used [780,000 × 15%]	= 117,000
VAT payable	= 176,250

VAT can also be calculated in the following alternative way:

Chapter - 22 Value Added Tax and Supplementary Duty

Value addition	= Output value (Selling price) - Input value (Raw material used)
	= 1,955,000 - 780,000
	= 1,175,000
VAT payable	= 15% on 1,175,000
	= 176,250

SPC
22.18

DETERMINING VAT AT DIFFERENT STAGES OF THE CONVERSION CYCLE

On January 2024, Rahman International imported raw materials of school bags for Tk. 100,000 and sold it to Agfa Ltd for Tk. 120,000. Using these materials, Agfa Ltd made 150 pieces of school bags and sold it to Yousuf & Sons, a wholesaler, for Tk. 170,000. Yousuf & Sons sold the bags to a retailer, JB International for Tk. 200,000. JB International sold all the bags to various customers for Tk. 250,000. In each case and each stage 15% VAT is to be considered. Compute VAT in each case.

Stage	Particulars	Purchase price input value	Value addition	VAT @ 15%
1	Import of raw materials by Rahman International	Tk. 100,000	Tk. 100,000	Tk. 15,000
2	Sale of raw materials to Agfa Ltd.	120,000	20,000	3,000
3	Sale of school bags to Yousuf & Sons, a wholesaler	170,000	50,000	7,500
4	Sale of school bags to JB International, a retailer	200,000	30,000	4,500
5	Sale of school bags to customers	250,000	50,000	7,500
Total			Tk. 250,000	Tk. 37,500

So, the VAT amount is Tk. 37,500 which is ultimately borne by the final consumer.

SPC
22.19

CHARGES, CUSTOMS DUTY, SUPPLEMENTARY DUTY, BASE VALUE

Mr. Jalil, an importer, imported chocolates of Tk. 100,000 (C&F value determined by the Bangladesh Customs Authority). The insurance charge is 1.5% of the C&F value, borne by the importer. Thereafter, 2% landing charge is applicable on these goods. Customs duty and supplementary duty rate are 15% and 10% respectively. Calculate the amount of VAT, assuming a rate of 15%.

C&F value of the imported chocolates	Tk. 100,000
Add, insurance charge [1.5% of the C&F value i.e., Tk. 1,00,000]	1,500
Total of C&F value and Insurance Charge	101,500
Add, Landing charge [2% of Tk. 1,01,500]	2,030
Assessable value	103,530
Add, customs duty [15% of Tk. 1,03,530]	15,530
Sub-total before considering SD	119,060
Add, Supplementary duty [10% of Tk. 1,19,060]	11,906
Base value for VAT	Tk. 130,966

So, the required amount of VAT will be = [15% of Tk. 130,966] = Tk. 19,645 (app.)

SPC
22.20

DETERMINING INVOICE VALUE, VAT PAYABLE

Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Tk. 120,000 and after adding expenses of Tk. 10,000 and of profit Tk. 15,000 and sold out the same.

The rate of VAT on purchases and sales is 15%.

Computation of invoice value:

	Tk.
Cost of goods Purchased	120,000
Add: Additional exp.	10,000
Add: Share of profit	15,000
Total invoice value	145,000

Computation of Tax payable:

	Tk.
VAT on Invoice Value @ 15%	21,750
Less: Input tax credit -	18,000
VAT on purchases @ 15% (120,000 × 15%)	3,750
Total invoice value	

SPC
22.21

DETERMINING SELLING PRICE FOR IMPORTER, WHOLE SELLER, RETAILER

□ The price of a laptop is Tk. 100,000.

VAT is applicable at @15%. What is the value of the taxable supply?

□ The price of an AC is Tk. 100,000.

If Supplementary Duty (SD)@10% is applicable, then what is the total Supplementary Duty payable amount?

	Laptop	AC
Price	Tk. 100,000	Tk. 100,000
VAT Fraction @ 15%	15 ÷ 115	15 ÷ 115
VAT	13,043	13,043
	(100,000 × 15 ÷ 115)	(100,000 × 15 ÷ 115)
Value of Taxable Supply	86,957	86,957
SD	(100,000 - 13,043)	(100,000 - 13,043)
		7,905
		(86,957 × 10 ÷ 110)

SPC
22.22

DETERMINING SELLING PRICE FOR IMPORTER, WHOLE SELLER, RETAILER

Hasan Traders, an importer, imported 200 pieces of LED TV at CIF price @ Tk. 100,000 per piece. The clearing and other incidental charges amounted to Tk. 100,000 for the total consignment. He sold 80 pieces of TV to a whole seller at a markup of 10% (exclusive of VAT).

The whole seller charged 10% mark up to sell it to retailers. The retailers incurred a cost @ Tk. 2,000 for maintenance and other expenses and added 10% mark up to the price.

Compute VAT assuming that the retailers sold 60 pieces of TV in a trade fair among various customers in the month of June, 2024.

Stage - 1: Importer	Tk.	Stage - 2: Whole seller	Tk.
CIF price of imported goods (Tk. 100,000 × 200)	20,000,000	Cost of purchase from importer	10,170,600
Add: Clearing and other charges	100,000	Less: Input VAT recoverable	1,326,600
Total cost of input	20,100,000	Net COGS	8,844,000
Input VAT recoverable	Nil	Add: Profit @ 10%	884,400
Net COGS (for 200 units)	20,100,000	Selling price excluding VAT	9,728,400
Net COGS (80 units)	8,040,000	Add: Output VAT @ 15%	1,459,260
Add: Profit (10%)	804,000	Selling price inclusive of VAT	11,187,660
Selling price excluding VAT	8,844,000		
Add: Output VAT @ 15%	1,326,600		
Selling price inclusive of VAT	10,170,600		
Stage - 3: Retailer	Tk.	Stage - 4: Customer	Tk.
Cost from wholesaler (80 units)	11,187,660	Cost of purchase from Retailers	
Cost of 60 units	8,390,745	(60 units)	8,381,620
Less: Input VAT recoverable [14,59,260/80*60]	1,094,445		
Net COGS	7,296,300		
Add: Maintenance and selling costs (2,000 × 60)	120,000		
Total COGS	7,416,300		
Add: Profit 10%	741,630		
Selling price excluding VAT	8,157,930		
Add: Output VAT @ 15%	1,223,690		
Selling price inclusive of VAT	83,81,620		

Workings:	Importer (200 units)	Wholesaler (80 units)	Retailer (60 units)	Consumer (60 units)
Output VAT	13,26,600	14,59,260	12,23,690-	
Less: Input VAT	--	13,26,600	10,94,445	
Gross VAT Payable	13,26,600	132,660	129,245	
Net VAT Payable	13,26,600*60/80 =994,950	132,660*60/80 = 99,495	129,245	

VAT to be borne by the consumer (for 60 units) = 994,950 + 99,495 + 129,245 = 12,23,690

KEY POINTS

- ☐ Value added tax, or goods and services tax (GST), is tax on exchanges. It is levied on the added value that results from each exchange.
- ☐ VAT in Bangladesh has been introduced in July 1, 1991.
- ☐ VAT, as an indirect tax, shift tax burden ultimately to the final consumers.
- ☐ Highest tax in Bangladesh comes from VAT (39% of the total tax revenue).
- ☐ VAT is imposed on goods and services at import stage, manufacturing, wholesale and retails levels.
- ☐ Taxes paid on inputs are creditable against output tax.
- ☐ Only those who will pay VAT at 15% rate will enjoy rebate or refund facility.
- ☐ Turnover tax is 4% if annual turnover exceed Tk 50 lac but below Tk. 3 crore.
- ☐ Luxurious and socially undesirable goods are subject to supplementary duties at different rates ranging from 5 per cent to 500 per cent.
- ☐ VAT returns are to be submitted on monthly/quarterly/half- yearly basis as notified by the Government.

MULTIPLE CHOICE QUESTIONS

- Value Added Tax has been introduced in Bangladesh in which of the following year?
(a) 1990 (b) 1991 (c) 1992 (d) 1993
- The rate of VAT in Bangladesh, to claim input rebate, is -
(a) 5% (b) 10% (c) 15% (d) 20%
- The rate of turnover tax in Bangladesh is -
(a) 3% (b) 4% (c) 10% (d) 15%
- If a registered person fails to submit the VAT return within the specified date, he may be imposed a maximum penalty of -
(a) Tk. 2,000 (b) Tk. 5,000 (c) Tk. 8,000 (d) Tk. 10,000

- Importers, manufacturers and service providers, need to have what minimum annual turnover to pay 15% tax on their value addition as per the VAT Act?
(a) Tk. 50 lacs (b) Tk. 60 lacs (c) Tk. 70 lacs (d) Tk. 3 crores
- Which of the following tax is not imposed as per the provisions of the Value Added Tax (VAT) Act and Supplementary Duty (SD) Act, 2012?
(a) SD (b) Customs Duty (c) Turnover Tax (d) VAT
- Which of the following form is used for application regarding registration under the VAT Act?
(a) Mushak 2.1 (b) Mushak 6.1 (c) Mushak 10 (d) Mushak 16
- What is the time limit for preservation of records for a registered person under the VAT Act?
(a) 1 year (b) 3 years (c) 4 years (d) 5 years
- Provisions of the VAT authorities are discusses in which chapter of the VAT Act?
(a) 7 (b) 8 (c) 12 (d) 14
- Which of the following form is related to VAT invoice?
(a) Mushak 6.1 (b) Mushak 6.2 (c) Mushak 6.3 (d) Mushak 2.1

TRUE (T) OR FALSE (F) IDENTIFICATION

- Value Added Tax is a direct tax.
- VAT is payable at the time of supply of goods and services.
- VAT contributes the highest in the tax revenue.
- All importers, manufacturers and service providers are to be registered as per the VAT and SD Act, 2012.
- Export is zero rated.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- Define value added tax? Discuss the advantages and disadvantages of VAT.
- Discuss the characteristics of VAT in Bangladesh?
- Discuss the scope of Bangladesh value added tax law.
- What are the goods and services chargeable under the VAT Act, 1991 in Bangladesh?
- Who has to pay VAT?
- Explain the procedures of determining the value for charging VAT.
- Discuss the time and mode of payment of value added tax.
- Discuss the provisions of the imposition of supplementary duty.
- Discuss the provisions of the imposition of turnover tax.
- What do you mean by tax rebate?
- What do you mean by registration for value added tax?
- Discuss the procedures of the registration for value added tax.
- Discuss the provisions of the cancellation of the registration for value added tax.
- What do you mean by tax challan? Discuss the procedures of the delivery of tax challan.
- Discuss the Provisions relating to the VAT Return and its submission.
- What do you mean by forfeiture relating to VAT?
- Discuss the procedures of appeal as per the provisions of the VAT Act?

- DQ22.18 Discuss the maintenance of documents relating to VAT.
DQ22.19 What is ADR? Describe the role of ADR in resolving dispute.

PROBLEM CASES (PC)

PC22.1: A wholesaler bought 2 quintals of rice at Rs. 4,000 per quintal on which he added value of Tk. 750 per quintal. If VAT levied is @ 15% then what will be its total sale price?

PC22.2: A wholesaler purchases wheat @ Tk. 1000 per quintal, and then after converting the wheat into flour he sells it to the retailer @ Tk. 15.20 per kg. If he pays VAT @ 15%, calculate the total profit earned by the wholesaler.

PC22.3: Babu a garment merchant purchases garments worth Tk. 50,000. By adding his profit of Tk. 15,000 he sold the whole stuff at Tk. 66,200. Calculate at which rate VAT was levied and total collection of VAT by the govt.

PC22.4: A manufacturing unit of AC (Air Conditioner) sold an AC to the dealer at certain rate who further sold it to a customer at Tk. 22,800 making a profit of 50%. If VAT is levied @ 4%, calculate the rate at which AC was sold by the manufacturing unit to the dealer.

PC22.5: Gmart Electronics purchases 50 T.V. sets @ Tk. 10,000 per set and earns Tk. 5,000 on each set as a profit. If the company pays Tk. 25,000 to the govt. as VAT, calculate at what rate VAT is levied on T.V. set.

PC22.6: Bob Robert purchases 200 electric steam irons @ Tk. 750 each and he earns Tk. 25 on first 50 irons, Tk. 50 on next 50 irons, Tk. 75 on next 50 irons and Tk. 100 on rest 50 irons. If VAT is levied @ 8%, calculate total VAT paid by Bob Robert to the government.

PC22.7: A wholesaler purchases 15 chairs from the manufacturer @ Tk. 100 per chair excluding tax and sells them to a retailer after adding value of Tk. 50 per chair. Calculate the total tax paid to the government in these transactions by
☐ sales tax method, and
☐ by VAT method.

Consider sales tax or VAT is levied @ 15% at each stage.

PC22.8: A dealer purchases 30 kgs of wheat @ Tk. 10 per kg plus VAT and after earning a profit of Tk. 5 per kg the dealer sells it to the retailer. The retailer finally sells it to a customer @ Tk. 22.55 per kg including VAT. Calculate how much tax is collected by the Government through VAT which is 15% at each stage.

PC22.9: The following information has been taken from the accounting records of Unilever Bangladesh Limited for the year 2023:

Raw materials inventory, January 1	Tk. 45,000
Raw materials inventory, December 31	Tk. 30,000
Work in process inventory, January 1	Tk. 90,000
Work in process inventory, December 31	Tk. 50,000
Finished goods inventory, January 1	Tk. 130,000
Finished goods inventory, December 31	Tk. 105,000
Purchase of raw materials	Tk. 375,000
Direct labor	Tk. 75,000
Manufacturing overhead	Tk. 320,000
Selling expenses	Tk. 70,000 and
Administrative expenses	Tk. 135,000.

The company sells its product by adding 20% profit on cost. Determine the amount of VAT if the rate is 15%.

PC22.10: On January, 2024, REX Limited imported raw materials of readymade garments for Tk. 150,000 and sold it to Vertax Fashions for Tk. 200,000. Using these materials, Vertax Fashions made 250 pieces of shirts and sold it to Naz Fashion House, a wholesaler, for Tk. 250,000.

Naz Fashion House sold the shirts to a retail seller Banglar mela for Tk. 300,000. Banglar Mela sold all the shirts to various customers for Tk. 350,000. In each case and each stage 15% VAT is to be considered.

Compute VAT in each case.

PC22.11: Mr. Sumon, an importer, imported chemicals of Tk. 200,000 (C&F value determined by the Bangladesh Customs Authority). The insurance charge is 1% of the C&F value, borne by the importer. Thereafter, 1.5% landing charge is applicable on these goods. Customs duty & supplementary duty rate are 10% & 15% respectively. Calculate VAT, assuming a rate of 15%.

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
b	c	b	d	d	b	a	d	c	c

TRUE/FALSE

1	2	3	4	5
F	T	T	F	T

SELF – REVIEW 22.1

The applicable rates are:

- (a) VAT – 15%, 10%, 7.5% and 5%
- (b) TT – 4%
- (c) SD – 5% to 500%

SELF – REVIEW 22.2

According to section 16 of the VAT & SD Act, 2012, every person specified below shall be liable to pay VAT, namely –

- ☐ in relation to taxable import: the importer;
- ☐ in relation to any taxable supply in Bangladesh: the supplier;
- ☐ in relation to any taxable supply of imported service: the recipient of such supply;
- ☐ in relation to other cases: supplier or recipient of service.

23

Gift Tax

"Diseases are the tax on pleasures"
— Albanian Proverb

Chapter Learning Objectives (CLOs)

On completion of this chapter, you will be able to:

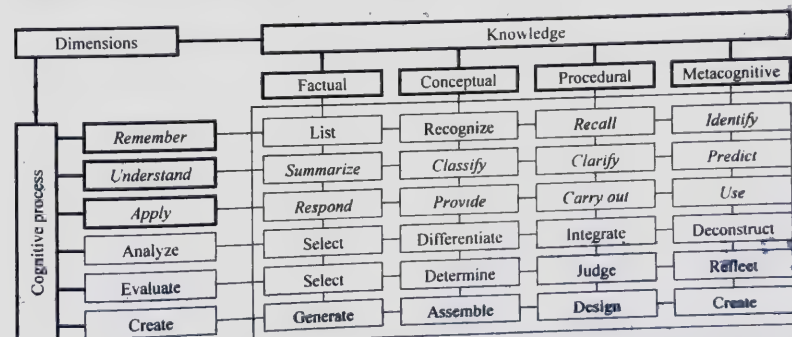
- CLO 23.1 understand the concept of gift
- CLO 23.2 know scope of gift tax act
- CLO 23.3 apply the rule of chargeability in gift tax
- CLO 23.4 identify various items of exemptions
- CLO 23.5 Know valuation methods of gift
- CLO 23.6 Know return submission formalities
- CLO 23.7 understand assessment procedure of gift tax
- CLO 23.8 explain the consequence of failure

KEY TERMS

Gift, Scope, Chargeability, Exemptions, Valuation, Return, Penalty, Notice of Demand, Recovery of Tax and Penalties, Rates of Tax, Assessment, Appeal

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



23.1

CLO
23.1

INTRODUCTION

Gift tax is a direct tax imposed on taxable gift. 'Gift' means any transfer of ownership of movable or immovable property by one person to another willingly and without any consideration of money or money's worth. Property is evaluated at the current market price. After the independence, Bangladesh adopted the Gift tax Act, 1963 with some changes and relevant modifications which was in force in Pakistan. Later, it was repealed in 1985 through section 4 of Finance Ordinance and came into force again on 1st July 1990 in the name of the Gift Tax Act, 1990 (Act No. 44 of 1990). In Bangladesh, gift tax is leviable on the taxable gifts made at the rates specified in the schedule to the Gift Tax Act, 1990. Such tax has been collected by the income tax authority since 1963 except for 1985-86 to 1989-90. Under the Gift Tax Act 1990, it is now payable by the donor and applicable only for gifts of domestic property donated except to spouse, blood-related family members and dependent relatives, government recognized educational, religious, charitable, disaster-management or medical establishments, local authorities, and some other prescribed persons. In the line of income tax, progressive slab taxation is also applicable for taxable gifts.

23.2

CLO
23.1

DEFINITION OF GIFT

Generally, the word "Gift" means something that is bestowed voluntarily and without compensation in return to someone. According to section 2(f) of the Gift Tax Act 1990, 'Gift' means the transfer of any existing immovable or moveable property by one person to another, made voluntarily and without consideration of any money or money's worth. The value of property under gift (other than cash) will be the value which, in the opinion of the DCT, the property would fetch if sold in the open market on the date of gift. When a property is not saleable in the open market and such value cannot be determined, its value will be determined according to the rules prescribed for the purpose. Valuation methods of gift have been provided in the section 5 of the Gift Tax Act, 1990.

23.3

CLO
23.2

SCOPE OF BANGLADESH GIFT TAX

Gift tax, its calculation and applicability in Bangladesh is guided by -

- ☐ The Gift Tax Act, 1990 (Act No. 44 of 1990): The Gift Tax Act, 1990 came into force on 1st July 1990. It has 21 sections, numerous subsections and one schedule containing rates of gift tax with reference to Section 3.
- ☐ The Gift Tax Rules, 1990: The Gift Tax Rules, 1990 is issued exercising the power vested through Section 21 of the Gift Tax Act, 1990. So far, 6 rules and 5 form formats have been issued by the NBR.

23.4

CLO
23.3

CHARGEABILITY

Every gift is not taxable under the act. Before charging tax on gift, some preconditions are required to be met as pointed out below:

- ☐ Transfer of property, either movable or immovable, is a must.

- ☐ Transfer of an existing property can be a gift. Any property that is not existed cannot be transferred as a gift.
- ☐ Transfer must be made by one person (donor) to another (donee).
- ☐ To be a gift, the transfer should be made voluntarily without fear and favor.
- ☐ Transfer should be with/without consideration in money or money's worth.

However, gifts made by the following entity are not taxable as per section 20 of Gift Tax Act 1990:

- ☐ A body corporate established or constituted by or under any law;
- ☐ Any institution or fund, income whereof is exempt from income tax as per provisions of Paragraph 11 and 12 of Part 1 of the Sixth Schedule of ITA 2023; and
- ☐ A capital asset is received as a gift from a spouse, parent, or child, provided that both the donor and the recipient report it in their tax returns as per provision of Paragraph 35 of Part 1 of the Sixth Schedule of the Income Tax Act, 2023.

Transfer might take in the form of release, discharge, surrender, forfeiture or abandonment of a debt, contract, actionable claim or any interest in property in favor of others. Where such release, discharge, surrender etc. is not bonafide, the value of the release, discharge, surrender etc. would be deemed gift. And, in the case of transfer of property with inadequate consideration, the amount, by which the market values of the property exceed the value of consideration, would be the deemed gift.

23.5

CLO
23.4

EXEMPTIONS

A number of gifts are exempted from tax under Section 4 of the Gift Tax Act, 1990:

- ☐ Gift of property situated outside Bangladesh;
- ☐ Where the beneficiary is the government or any local authority;
- ☐ Gifts to any educational institutions including polytechnic institute recognized by any university or education board established under any law in force in Bangladesh or recognized or run by the government.
- ☐ Gifts to any hospital recognized or run/aided by the govt. or any local authority.
- ☐ Gifts to any flood/disaster management fund established/approved by the govt;
- ☐ Gifts to any institution established in Bangladesh and approved by the Government or established and registered under any law in force for religious or charitable purpose in respect of a gift up to 20% (twenty percent) of his assessed income in the relevant assessment year or Tk. 100,000, whichever is less;
- ☐ Gifts to dependent relative up to Tk. 20,000 on the occasion of his/her marriage;
- ☐ Gifts by way of payment of policies of insurance or annuities to any person (other than wife or spouse) who is dependent upon him for support and maintenance up to Tk. 20,000.
- ☐ Gifts under a will;
- ☐ Gifts in contemplation of death;
- ☐ Gifts to sons, daughter, father, mother, his/her spouse, own brothers and sisters.

SELF - REVIEW

23.1

- (a) How to compute the amount of taxable gift in case of transfer of property with inadequate consideration?
(b) On a movable property, can be transferred and considered at the time of computing taxable amount of gift - Do you agree? Why or why not?

Without prejudice to the above provisions, gift tax shall not be charged under this Act in respect of gifts made by any persons during any financial year subject to a maximum of Tk. 20,000 in the value, i.e. basic exemption is of Tk. 20,000. The government may also exempt any classes of gifts or persons from the tax payable under this Act by way of gazette Notification.

23.6

CLO
23.5

VALUATION OF GIFT

Rate of tax is applied on the market value of the gift. When market value of the gift is not available, the rules prescribed in section 5 and Rule 6 of the Gift Tax Act and the Gift Tax Rules, 1990 becomes applicable. The valuation of gifts is exemplified (in exhibit 23.1) below from the perspective of legal provision.

EXHIBIT

23.1

Valuation of Gifts

Property	Prescription regarding Valuation
<ul style="list-style-type: none"> Cash 	<p>Amount of cash transferred</p>
<ul style="list-style-type: none"> Property except Cash: <ul style="list-style-type: none"> If market value is known 	<p>The price that the property would fetch if sold in the open market on the date on which the gift was made [section 5(1)].</p>
<ul style="list-style-type: none"> If market value is unknown 	<p>The value shall be determined in the manner prescribed in the Gift Tax Rules [section 5(2)] as stated below: → In case of gifted insurance policy, the amount of money that would be received by encashing the said policy would be the price. For example, surrender value of the policy on that date [Rule - 6(1)]. → In the case of shares of private limited company or firm, the value of share shall have to be determined in the proportion of asset of the concerned company or firm in the year in which share was gifted. For example, intrinsic value attributable to proportionate shareholding [Rule - 6(2)].</p>
<ul style="list-style-type: none"> Others 	<p>The value as determined by the NBR.</p>

23.7

CLO
23.6

RETURN

Who should submit the return? Ans: Every person who has made any taxable gift.

With whom? Ans: Deputy Commissioner of Taxes.

When? Ans: Before the 15th day of September of the corresponding assessment year.

The return may be submitted within due date or even after due date.

- ☐ **Within Due Date (Section 7):** If the DCT believes that a person is liable to pay gift tax in respect of gifts made in a financial year under this act, he may serve a minimum of 30 days' notice requiring the person to furnish a return in the prescribed form (Form 1) and manner. The DCT may also extend the date for the delivery of such return in his discretion. The person submitting return is liable to pay tax on or before the date of submission on the basis of the return. In failure without any reasonable cause, he shall be deemed to be an assessee in default.
- ☐ **After Due Date (Section 9):** If a person failed to submit return within due date or need corrections on the return already submitted, he may submit the return or do corrections at any time before the assessment.

23.8

CLO
23.7

ASSESSMENT

Once the return is submitted under either section 7 or 9, the DCT may be satisfied or may not be satisfied. If satisfied, the DCT shall determine the amount payable by the assessee as gift tax on the basis of the return submitted. But if he is not satisfied with the return, he shall serve a notice for producing evidence in support of his return and direct him to attend his office on a specified day. Then the DCT will examine the evidences and determine the gift tax payable by him after giving the assessee a hearing, if needed. If the assessee fails to produce supporting evidences, the DCT shall calculate the gift tax payable by him. Thus the assessment may take any of the three forms as presented in exhibit 23.2.

EXHIBIT

23.2

Forms of Assessment

Assessment		
On Correct Return Basis	After Hearing	Best Assessment
<ul style="list-style-type: none"> The DCT is satisfied Physical presence is not required Without any evidence Submitted return is correct and complete 	<ul style="list-style-type: none"> The DCT is not satisfied Serve notice for physical presence and evidence After hearing, taxable gift and tax amount is determined 	<ul style="list-style-type: none"> The assessee fails to present physically The assessee fails to produce evidence The DCT determine taxable gift and tax liability to the best of his judgment

SELF - REVIEW
23.2

- (a) How much of gift is generally exempted from tax?
(b) State the valuation of gift under each of the following situation: (i) Property that is salable in the market (ii) Insurance policy (iii) Proportionate share of a firm.

23.9

CLO
23.8

PENALTY FOR DEFAULT AND CONCEALMENT

If any person deliberately furnishes inaccurate information in a return or fails to furnish a return even after receiving a notice from the DCT, he may be imposed a penalty *not exceeding fifty percent of the gift tax* determined by him. The said penalty shall be payable along with the amount of the gift tax. But regarding the imposition of penalty, no order shall be made unless the person concerned has been given a reasonable opportunity of being heard and prior approval is taken from the Inspecting Joint Commissioner of Taxes (IJCT). Any aggrieved party may appeal to an appellate authority as it was in the case of income tax.

23.10 NOTICE OF DEMAND

CLO
23.8

When any tax or penalty is due in consequence of any order passed under this Act, the DCT shall serve upon the assessee a notice of demand in the prescribed form specifying the sum so payable and time within which it shall be payable. The notice of demand to be given shall have to be provided in "Form - 3" specified in the Gift Tax Rules, 1990.

23.11 RECOVERY OF TAX AND PENALTIES

CLO
23.8

The provisions regarding recovery of gift tax and penalties are as follows:

- ☐ If an assessee has presented an appeal u/s 12, the DCT, may in his discretion treat the assessee as not being in default as long as such appeal is not disposed of.
- ☐ If an assessee failed to pay any amount of gift tax or penalty specified as payable within the time specified in the notice of demand sent to him by the DCT u/s 13, he shall be deemed to be an assessee in default.
- ☐ If the amount of gift tax or penalty payable under Section 13 is not paid within the specified period then it shall be deemed to be outstanding income tax under the Income Tax Ordinance, 1984 and shall be recoverable accordingly.

23.12 APPEAL

CLO
23.8

The provisions regarding appeal in the Gift Tax Act 1990 and Gift Tax Rules 1990 are as follows:

- ☐ Any person aggrieved by the order of the Deputy Commissioner of Taxes or Tax Recovery Officer may prefer an appeal by "Form - 4" to the authority (Appellate Joint Commissioner of Taxes) as prescribed in the Income Tax Ordinance, 1984 [Section - 12(1) and Rule 5(1)(a)].

- ☐ Any person aggrieved by the decision of the above appellate authority (Appellate Joint Commissioner of Taxes) can appeal for revision and reference by "Form - 5" to the authority (Appellate Tribunal) as prescribed in the Income Tax Ordinance, 1984 [Section 12(1) and Rule 5(1)(b)].
- ☐ A certified copy of the order against which appeal is being made must be enclosed with the application of appeal [Rule 5(2)].
- ☐ Appeal, revision and reference under such circumstances will follow the method and procedure as prescribed in the Income Tax Ordinance, 1984.

23.13

CLO
23.3

RATES OF GIFT TAX

Gift tax is progressive like income tax with 4 tiers. The rates with the value of taxable gift are quoted below from the schedule of the Gift Tax Act, 1990:

		Rates
On the first	Tk. 500,000 of the value of all taxable gift	5%
On the next	Tk. 1,000,000 of the value of all taxable gift	10%
On the next	Tk. 2,000,000 of the value of all taxable gift	15%
On the balance	amount of the value of all taxable gift	20%

SOLVED PRACTICAL CASES (SPC)

SPC
23.1

CASH AND PROPERTY GIFT, DEPENDENT, DONATION TO HOSPITAL OUTSIDE BANGLADESH, GIFT TO SOPUSE

Mr. Karim has made gifts during the current income year as:

- ☐ Cash gift of Tk. 150,000 to a dependent relative on the occasion of marriage.
- ☐ Donated a house in Pakistan owned by him to a local hospital there. The market value of the house is Tk. 5,000,000.
- ☐ Gifted a motor car to the son of his close friend in the event of his marriage ceremony. The car was purchased at Tk. 800,000.
- ☐ Payment of annual dues regarding the life insurance policies of his brothers Mr. Rahim and Mr. Shahin; Mrs. Zerin (wife of Mr. Karim) and of himself. The amount being Tk. 20,000; Tk. 20,000; Tk. 30,000 and Tk. 35,000 respectively.

Two brothers Mr. Rahim and Mr. Shahin is dependent on Mr. Karim. Compute the taxable gift and the gift tax thereon.

Assessee: Karim	Assessment Year: 2024 - 2025	Income Year: 2023 - 2024	
		Tk.	Tk.
Computation of Taxable Gift:		150,000	
1. Gift on the occasion of dependent relative's marriage		20,000	130,000
Less: exempted [maximum Tk. 20,000 as per section 4(1)(d)]			

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2. Donation of a house to a hospital in Pakistan	5,000,000	
Less: exempted (full, being property situated outside Bangladesh)	5,000,000	800,000
3. Gift of motor car to the son of a friend on marriage ceremony	20,000	
4. Payment of Premium on Life Insurance Policies: Mr. Rahim	20,000	
Mr. Shahin	40,000	
Total life insurance premium paid for dependents	20,000	20,000
Less: exempted [maximum Tk. 20,000 for dependent as per section 4(1)(e)]		30,000
5. Payment of Life Insurance Premium of Mrs. Zerin		980,000
Total		20,000
Less: general exemption [section 4(2)]		960,000
Taxable Gift		

Computation of Gift Tax Liability

On first Tk. 500,000 @ 5% and on next Tk. 460,000 @ 10%. Total gift tax liability is Tk. 71,000.

SPC
23.2

GIFT IN CONTEMPLATION OF DEATH, GIFT TO SON, DONATION TO APPROVED INSTITUTIONS, PROPERTY DONATED TO SPOUSE, GIFT WITH INADEQUATE CONSIDERATIONS, GIFT OUTSIDE BANGLADESH

Compute the gift tax for Mr. Nikhil for the current income year considering the following details:

Gift within Bangladesh

- ☐ Gift to dependent sister a piece of land valued at Tk. 600,000;
- ☐ Gift to his brother the share of firm valued at Tk. 1,200,000 in contemplation of death;
- ☐ Cash donation to the youngest son for starting his own garments business, Tk. 800,000;
- ☐ Donation to: Prime Minister's Relief Fund Tk. 60,000; Dhaka University Tk. 150,000; Dhaka Ahsania Mission Tk. 120,000; Aga Khan Development Network Tk. 80,000; Ram Krishno Mission Tk. 100,000;
- ☐ Donated a house in Dhanmondi to his wife valued at Tk. 2,500,000;
- ☐ Gift to the younger brother a motor car costing Tk. 800,000 on the occasion of marriage. His younger brother is independent;
- ☐ Gift to a friend a house at Chittagong as a token of love. However, he has received consideration from his friend amounting to Tk. 150,000. The market value of the house is Tk. 900,000;
- ☐ Loan given to a friend amounting to Tk. 120,000 become uncollectible and written off as bad debt.

Gift Outside Bangladesh

Donated a furnished flat to his sister-in-law in Nepal worth Tk. 500,000 and donated his office furniture to his son-in-law from his UK business office in the event of withdrawal of investment from UK valued at Tk. 460,000.

Assessee: Nikhil

Assessment Year: 2024 - 2025

Income Year: 2023 - 2024

Computation of Taxable Gift:

	Tk.	Tk.
1. Gift to dependent sister a piece of land	600,000	
Less: exempted [full, as per section 4(1)(h)]	600,000	nil
2. Gift to brother the share of firm in contemplation of death	1,200,000	
Less: exempted [full, as per section 4(1)(g) or (h)]	1,200,000	nil
3. Cash donation to son for starting business	800,000	
Less: exempted [full, as per section 4(1)(h)]	800,000	nil
4. Donation to: Prime Minister's Relief Fund	60,000	
Dhaka University	150,000	
Dhaka Ahsania Mission	120,000	
Aga Khan Development Network	80,000	
Ram Krishno Mission	100,000	
Total donation to approved institutions	510,000	
Less: exempted [full, as per section 4(1)(c)]	510,000	nil
5. Donated a house at Dhanmondi to his wife	2,500,000	
Less: exempted [full, as per section 4(1)(h)]	2,500,000	nil
6. Gift to the brother in the event of marriage	800,000	
Less: exempted [full, as per section 4(1)(h)]	800,000	nil
7. Gift to a friend with inadequate consideration: Value of the property	900,000	
Consideration received	150,000	
Deemed gift		750,000
8. Loan written-off as bad debt is not a gift (shown as charge against profit in profit and loss account)	500,000	
9. Gift outside Bangladesh: Donation of a flat to sister-in-law in Nepal	460,000	
Donation of furniture to son-in-law in UK	960,000	
Total value of gift outside Bangladesh	960,000	nil
Less: exempted [full, as per section 4(1)(a)]		750,000
Total		20,000
Less: general exemption [section 4(2)]		960,000
Taxable Gift		

Computation of Gift Tax Liability

On first Tk. 500,000 @ 5% and on next Tk. 230,000 @ 10%. Total gift tax liability is Tk. 48,000.

SPC
23.3

MARRIAGE GIFT, GIFT TO CHARITABLE & RELIGIOUS INSTITUTIONS, CITY CORPORATION, AND POLITICAL PARTY, GIFT THROUGH WILL

Given list of gifts is related to Mr. X for the current income year. Compute the taxable gift and the gift tax thereon.

- ☐ Cash donation to brother in law on the occasion of marriage Tk. 80,000;
- ☐ Gift of a flat to the only daughter on the occasion of marriage Tk. 2,500,000;

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- ☐ Donation to a local charitable institution Tk. 100,000;
- ☐ Cash donation to his nephew in financial crises Tk. 20,000;
- ☐ Payment of insurance premium of his wife and himself Tk. 40,000;
- ☐ Donation to a political party Tk. 120,000;
- ☐ Donation to a local high school under a will Tk. 450,000;
- ☐ Donation to an institution established and registered for charitable purpose in Bangladesh Tk. 300,000.
- ☐ During the year, total income of Mr. X amounted to Tk. 1,000,000;
- ☐ Donation to city corporation for the cause of fighting corruption Tk. 100,000;
- ☐ Donation to a body corporate established by law Tk. 90,000;
- ☐ Donation to a religious institution whose income is exempted from income tax
- ☐ Donation to the application of paragraph 2 of part A of the Sixth Schedule of ITO 1984 Tk. 60,000.

Assessee: Mr. X Assessment Year: 2024 - 2025 Income Year: 2023 - 2024

Computation of Taxable Gift

	Tk.	Tk.
1. Cash donation on marriage of brother-in-law	80,000	
Less: exempted [maximum Tk. 20,000 as per section 4(1)(d)]	20,000	60,000
2. Gift of a flat to the daughter on the occasion of marriage	2,500,000	
Less: exempted [full, as per section 4(1)(h)]	2,500,000	nil
3. Donation to a local charitable institution		100,000
4. Cash donation to nephew	20,000	
Less: exempted [maximum Tk. 20,000 as per section 4(1)(d)]	20,000	nil
5. Donation to a political party		120,000
6. Donation to a local high school under a will	450,000	
Less: exempted [full, as per section 4(1)(f)]	450,000	nil
7. Donation to a charitable institution	300,000	
Less: exempted - lower of 20% of total income (i.e., Tk. 200,000) and Tk. 100,000 [as per section 4(1)(c)(iv)]	100,000	200,000
8. Donation to City Corporation	100,000	
Less: exempted [full, as per section 4(1)(b)]	100,000	nil
9. Donation to a body corporate established by law	90,000	
Gift Tax Act is not applicable here [section 20 (a)]	-	-
10. Donation to a religious institution	60,000	
Gift Tax Act is not applicable here [section 20 (b)]	-	-
Total		480,000
Less: general exemption [section 4(2)]		20,000
Taxable Gift		460,000

Computation of Gift Tax Liability

On first Tk. 460,000 @ 5%. Therefore, total gift tax liability is Tk. 23,000.

KEY POINTS

- ☐ Gift means any transfer of ownership of movable or immovable property by one person to another willingly and without any profit.
- ☐ The value of gift is the price that the property would fetch if sold in the open market on the date on which the gift was made.
- ☐ The Act is not applicable for gifts made by a body corporate established or constituted by or under any law.
- ☐ Every person who has made any taxable gift is required to submit a return with the DCT before the 15th day of September of the corresponding assessment year.
- ☐ The person submitting a return is liable to pay tax on or before the date of submission on the basis of the return.
- ☐ If a person failed to submit return within due date or need corrections on the return already submitted, he may submit the return or do corrections at any time before the assessment.
- ☐ If any person deliberately furnishes inaccurate information in a return or fails to furnish a return even after receiving a notice from the DCT, he may be imposed a penalty not exceeding fifty percent of the gift tax determined by him.
- ☐ If an assessee failed to pay any amount of gift tax or penalty specified, he shall be deemed to be an assessee in default.
- ☐ Any person aggrieved by the order of the Deputy Commissioner of Taxes or Tax Recovery Officer may prefer an appeal to the Appellate Joint Commissioner of Taxes.
- ☐ Gift tax is progressive like income tax with 4 tiers having rates set at 5%, 10%, 15% and 20%.

MULTIPLE CHOICE QUESTIONS

- The valuation of gifted insurance policy is made on the basis of -
 - intrinsic value
 - market value
 - amount of premium paid
 - surrender value
- Gift tax return is submitted to the -
 - Deputy Commissioner of Taxes
 - Tax Recovery Officer
 - Inspecting Joint Commissioner of Taxes
 - Appellate Authority
- When should the gift tax return be submitted?
 - Before the 15th day of June
 - Before the 15th day of September
 - Before the 15th day of December
 - Before the 15th day of March
- Assume that the DCT determined the amount of gift tax payable by the assessee on the basis of the return submitted. What type of assessment does is called?
 - Assessment after hearing
 - Best judgment assessment
 - Assessment on correct return basis
 - Universal self-assessment
- What is the maximum amount of gift that is not chargeable under Gift Tax Act 1990?
 - Tk. 20,000
 - Tk. 30,000
 - Tk. 50,000
 - Tk. 25,000

6. In case of assessment after hearing, why does the DCT serve notices?
 - (a) For physical presence
 - (b) For production of evidences
 - (c) Both
 - (d) None
7. Gift tax is a direct tax with _____ taxation system.
 - (a) proportionate tax
 - (b) progressive tax
 - (c) regressive tax
 - (d) degressive tax
8. Which of the following gift is fully exempted from the chargeability of gift tax?
 - (a) To dependent relative in the occasion of marriage
 - (b) By way of payment of insurance policy
 - (c) Donation to a local private mosque
 - (d) Donation to Government or any local authority.
9. Any person aggrieved by the order of Taxes Recovery Officer may file an appeal to -
 - (a) the Deputy Commissioner of Taxes
 - (b) the Inspecting Joint Commissioner of Taxes
 - (c) the Taxes Appellate Tribunal
 - (d) none of these
10. Gift tax may be charged at a maximum rate of -
 - (a) 25%
 - (b) 35%
 - (c) 40%
 - (d) 20%

TRUE (T) OR FALSE (F) IDENTIFICATION

1. Both movable and immovable property can be transferred.
2. Transfer of property outside Bangladesh is taxable.
3. Every person who has made any taxable gift is required to submit return.
4. The DCT may require physical presence and production of evidences in best judgment assessment.
5. Insurance policy is valued at intrinsic value if gifted.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ23.1 Explain the term 'chargeability' from gift tax point of view.
- DQ23.2 "Gift tax is chargeable at the rates specified in the schedule irrespective of the nature of gift" - do you agree? Explain.
- DQ23.3 "There is no difference between gift tax and income tax in terms of appeal" - do you agree? Explain.
- DQ23.4 Which gifts are exempted from the charge of gift tax? Explain in the light of Section 4 of the Gift Tax Act, 1990.
- DQ23.5 What are the procedures of submission of return?
- DQ23.6 What are the different valuation styles of gifts? Exemplify.
- DQ23.7 What are the different types of assessment applicable for gift tax?
- DQ23.8 Write short note on:
 - ☐ Gift
 - ☐ Transfer
 - ☐ Valuation of gift
 - ☐ Best judgement assessment

PROBLEM CASES (PC)

PC23.1: Mr. Ratan has made the following gifts during the current income year. Compute his taxable gift and the gift tax thereon.

- ☐ Cash gift of Tk. 250,000 on the occasion of marriage of one of his relative who is not dependent on him.
- ☐ Donated a house in India owned by him to a charitable institution there. The market value of the house is Tk. 3,500,000.
- ☐ Gifted a motor car to the daughter of his close friend in the event of his marriage ceremony. The
- ☐ Payment of annual dues regarding the life insurance policies of his:
 - brothers Mr. Jatan and Mr. Kiron Tk. 20,000 for each
 - Mrs. Faria (wife of Mr. Ratan) Tk. 30,000; and
 - of himself Tk. 35,000.

Two brothers Mr. Jatan and Mr. Kiron are not dependent on Mr. Ratan.

PC23.2: Mr. Faridul Alam has reported the following gifts for the current income year. Compute his taxable gift and the gift tax thereon.

Gift within Bangladesh

- ☐ Gift to dependent sister a piece of land valued at Tk. 600,000;
- ☐ Gift to his brother the share of firm valued at Tk. 1,200,000 in contemplation of death;
- ☐ Cash donation to the youngest son for starting his own business, Tk. 800,000;
- ☐ Donation to: Prime Minister's Relief Fund Tk. 60,000, Dhaka Medical College and Hospital Tk. 150,000, Dhaka Ahsania Mission Tk. 120,000, Aga Khan Development Network Tk. 80,000;
- ☐ Donated a house in Dhanmondi to his wife valued at Tk. 2,500,000;
- ☐ Gift to the younger brother a motor car costing Tk. 800,000 on the occasion of marriage.
- ☐ Gift to a friend, a house at Chittagong as a token of love. The market value of the house is Tk. 900,000;
- ☐ Loan given to a friend amounting to Tk. 120,000 become uncollectible and written off as bad debt.

Gift Outside Bangladesh:

- ☐ Donated an unfurnished flat to his sister-in-law in Japan worth Tk. 500,000 and
- ☐ donated his office furniture to his daughter-in-law from his UK business office in the event of withdrawal of investment from UK valued at Tk. 460,000.

PC23.3: A list of gifts is given below that is related to Mr. Y for the current income year. Compute his taxable gift and the gift tax thereon.

<input type="checkbox"/> Cash gift to sister in law on the occasion of marriage	Tk. 80,000
<input type="checkbox"/> Gift of a flat to the only daughter on the occasion of marriage	2,500,000
<input type="checkbox"/> Donation to a charitable institution	100,000
<input type="checkbox"/> Cash donation to his nephew for doing business	20,000
<input type="checkbox"/> Payment of insurance premium of his wife and himself	40,000
<input type="checkbox"/> Donation to a political party	120,000
<input type="checkbox"/> Donation to a local high school	450,000
<input type="checkbox"/> Donation to an institution established and registered for charitable purpose in Bangladesh.	100,000
<input type="checkbox"/> Donation to city corporation	100,000
<input type="checkbox"/> Donation to a body corporate not established by law	90,000
<input type="checkbox"/> Donation to a religious institution whose income is exempted from income tax due to the application of paragraph 2 of part A of the Sixth Schedule of ITO 1984.	60,000

During the year, total income of Mr. X amounted to Tk. 1,000,000.

ANSWERS

MULTIPLE CHOICE QUESTIONS										TRUE/FALSE				
1	2	3	4	5	6	7	8	9	10	1	2	3	4	5
d	a	b	c	a	c	b	d	b	d	T	F	T	F	F

SELF - REVIEW 23.1

- (a) In the case of transfer of property with inadequate consideration, the amount, by which the market values of the property exceed the value of consideration, would be the amount of gift.

The following equation may be used at the time of computation of taxable gift in such situation:

$$\text{Taxable Gift} = \text{Value of the Property Transferred} - \text{Consideration Received}$$

- (b) No, both movable and immovable property can be transferred and considered at the time of computation of taxable gift under Gift Tax Act, 1990.

SELF - REVIEW 23.2

- (a) Tk. 20,000
(b) (i) Market value
(ii) Surrender value
(iii) Intrinsic value

24

Customs and Other Taxes

"We are told that this is an odious and unpopular tax.
I never knew a tax that was not odious and unpopular with the people who paid it."
— John Sherman

Chapter Learning Objectives (CLOs)

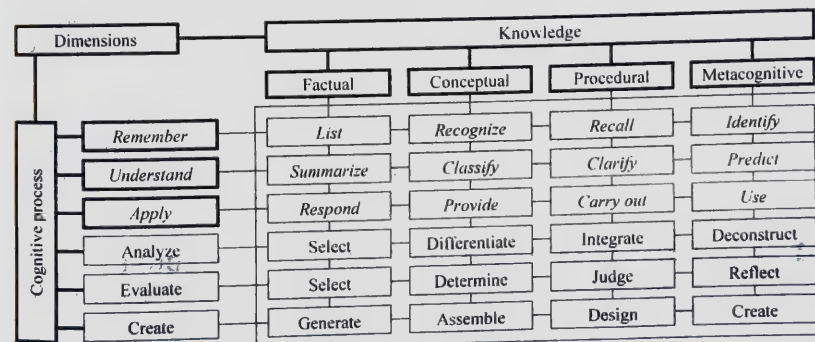
On completion of this chapter, you will be able to:
CLO 24.1 understand the concept of customs duty
CLO 24.2 identify customs procedure
CLO 24.3 list the scope of Bangladesh Customs Law
CLO 24.4 recognize customs authority and their role
CLO 24.5 apply levy of customs duty
CLO 24.6 list prohibited goods
CLO 24.7 recall valuation process
CLO 24.8 understand other taxes for travel, excise duty, narcotics

KEY TERMS

Customs, NBR, Prohibited goods, Valuation, Levy, Assessment, Excise duty, Travel tax, Baggage rules, Narcotics duty

Bloom's Taxonomy

This chapter covers (*italic*) the entire knowledge dimension and the first three levels of cognitive dimension of Bloom's Taxonomy in preparing lessons and designing CLOs.



24.1 INTRODUCTION

CLO
24.1

Customs is an authority or agency in a country responsible for collecting and safeguarding customs duties and for controlling the flow of goods including animals, personal effects and hazardous items in and out of a country. Depending on local legislation and regulations, the import or export of some goods may be restricted or forbidden, and the customs agency enforces these rules. Customs Duty synonymous to tariff and involves a tax on commodities entering and leaving the country. Customs duty is sometimes called an 'external excise tax', which includes an export duty or an import duty. In Bangladesh the levy and chargeability of customs duty are governed by the Customs Act, 2023.

24.2 BANGLADESH CUSTOMS

CLO
24.3

The origin of customs duty dates back to the 'customary levies' of ancient times. In the early twentieth century, 'taxes on imports and exports' were the seventh major source of public revenue. The present customs system came into being in the nineteenth century. The entire law and machinery for collection was consolidated in 1878, when the Sea Customs Act was enacted on the pattern of the British customs law, giving legal authority for the levy and collection of customs duty. The administration was initially vested in the provincial government until 1924, when it was brought under the central control with the establishment of the Central Board of Revenue (CBR) under CBR Act of 1924. The Land Customs Act was also promulgated in 1924 to enable the central government to enforce control on the movement of goods and passengers by land routes and frontiers from the subcontinent to adjoining territories and *vice versa* or in transit from one country to the other via the subcontinent. The Customs Act 1969 was enacted to consolidate and amend the law relating to the levy and collection of customs duties and provide for allied matters. After the emergence of Bangladesh, the government abolished CBR and created National Board of Revenue (NBR) as the apex tax authority with power to take over customs administration. The Customs Act was made effective in Bangladesh by President's Order no. 48 of 1972 with effect from 01 January 1970. The NBR has been trying to replace the existing customs law since 2013. The first draft of the customs law was approved by the cabinet in September 2014 with some recommendations. Considering all the relevant issues the NBR has drafted a new Customs Act titled "Customs Act, 2023", to replace the previous 50-year-old Customs Act-1969. The Customs Bill 2023, drafted in Bangla, has been placed in the parliament on October 25, 2023 and passed on November 13, 2023 introducing the new customs act named "The Customs Act, 2023 (Act No 57 of 2023). The new act has taken into effect from July 01, 2024.

24.3 OBJECTIVES OF CUSTOMS ACT AND PROCEDURE

CLO
24.2

In Bangladesh, the primary function of the customs authority is the administration of revenue under the Customs Act 2023 and the Value Added Tax and Supplementary Duty Act 2012. The customs authority is responsible mainly for assessment and

collection of customs duties, VAT, supplementary duty and other taxes and charges leviable on imported or exported goods. Its collateral function includes prevention of smuggling, implementation of the Imports and Exports (Control) Act 1950, and the enforcement of the Foreign Exchange Regulation Act 1947. In its auxiliary function, the customs authority also maintains the security measures under different statutes, namely the Arms Act 1878, the Explosives Act 1884, the Merchandise Marks Act 1889, the Livestock Importation Act 1898, the Narcotics Control Act 1990, etc.

The major objectives of customs tariff policy are the protection of domestic industries, improvement of the balance of payments position, discouragement of importing demerit goods having negative externality, promotion of exports and simplification of procedure of importing inputs and capital goods for exporters. Tariff policy also has an objective of ensuring that the inputs of domestic products are not subject to tariffs higher than those of competing finished imports.

Duties and taxes collected on international trade now comprise the one of the largest shares of tax revenue in Bangladesh. More than 60% of total taxes come from indirect taxes, about 10% of total tax which is collected at customs-station in form of import duty. In Bangladesh, the export is almost zero-rated, so customs duty is not charged on export commodity. However, due to tariff reduction after the signing of the World Trade Organization (WTO) Agreement, the share of customs duty in the tax structure has been falling in recent years. The provisions of the customs act also help the country to protect the interest of the local industries.

24.4 CUSTOMS PROCEDURE

CLO
24.2

The Customs Act is related to import and export of "goods". The goods are brought into or taken out of Bangladesh under the provision of Customs Act. The "conveyance" entering Bangladesh from any place outside Bangladesh with imported goods must land at a "customs-area" which is usually a "customs-station" and which includes other area where imported goods or goods for export are ordinarily kept by the customs authorities.

The "person-in-charge" of the conveyance is liable to comply this provision u/s 48. The customs-station may be a "customs-port", "customs-airport" or any "land customs-station". For control purposes, no vessel whether laden or in ballast, shall depart from any customs-port without a port clearance granted by the appropriate customs officer and no conveyance other than a vessel shall depart from a land customs-station or customs-airport without a written permission granted by the appropriate customs officer u/s 53. Besides u/s 63, goods are usually not to be loaded or unloaded or waterborne except in the presence of an "appropriate officer". And usually, goods are also not be loaded or unloaded or passed on certain days or at certain times u/s 65 and they are not be loaded or unloaded except at approved places u/s 68. For imposing customs duty, the customs authorities assess the duty u/s 90 and 91.

24.5

CL.O
24.3

SCOPE OF BANGLADESH CUSTOMS LAW

In order to determine the customs duty and complete the customs procedure in Bangladesh, certain provisions, rules and regulations are to be followed. They are:

- *The Customs Act, 2023* The Customs Act, 2023 came into force in Bangladesh by Act no. 57 of 2023 dated November 13, 2023 with effect from 01 July 2024. It has twenty seven chapters, 269 sections, numerous subsections containing provisions regarding customs duty determination, penalty, appeal etc.
- *Relevant Import Export Policy*: Bangladesh Import Policy and Bangladesh Export Policy.
- *Finance Act*: It contains the changes introduced in the Customs laws in Bangladesh during the annual budget.
- *SROs*: various SROs are issued time to time by the NBR to enhance the customs procedure as and when necessary.
- *Allied Acts and Rules*: Such as, the Arms Act, 1878; General Clauses Act, 1897, Explosive Substances Act, 1908; Light House Act, 1927; Provisional Collection of Taxes Act, 1931; Agricultural Produce Cess Act, 1940; Excise and Salt Act, 1944; Foreign Exchange Regulation Act, 1947; Imports and Export (Control) Act, 1950; Criminal Law Amendment Act, 1958; National Board of Revenue Order, 1972; Travel Tax Act, 2003; Money laundering Prevention Act, 2012 etc.
- *Judicial Decisions*: Such are given by the Supreme Court settling Customs Cases.

24.6

CL.O
24.1

STATUTORY DEFINITIONS OF IMPORTANT TERMS AS PER SECTION 2 OF THE CUSTOMS ACT, 1969

- *Agent*: "agent" means any person, including a shipping agent, clearing and forwarding agent, cargo agent, and freight forwarding agent, licensed under section 243, or any person permitted to transact any business u/s - 244. [U/s 2(8)]
- *Appellate Tribunal*: "Appellate Tribunal" means the Customs, Excise and Value Added Tax (VAT) Appellate Tribunal constituted under section 225. [U/s 2(1)]
- *Appropriate Officer*: "Appropriate Officer", in relation to any functions to be performed under this Act, means the officer of customs to whom such functions have been assigned by or under this Act. [U/s 2(42)]
- *Bangladesh customs-waters*: "Bangladesh customs-waters" means the waters extending into the sea to a distance of twenty-four nautical miles measured from the appropriate base line on the coast of Bangladesh. [U/s 2(35)]
- *Coastal Goods*: "Coastal goods" means goods transported in a vessel from one port in Bangladesh to another, but does not include imported goods on which customs duty has not been paid. [U/s 2(6)]
- *Conveyance*: "Conveyance" means any means of transport used for carrying goods or passengers such as a vessel, aircraft, vehicle or animal. [U/s 2(43)]
- *Customs-airport*: is any airport declared U/s 8 to be a customs-airport. [U/s 2(17)]

- *Customs-area*: "Customs-area" means the limits of the customs-station specified under section 9 and includes any area in which imported goods or goods for export are ordinarily kept before clearance by the customs authorities. [U/s 2(14)]
- *Customs Computer System*: "Customs computer" system means the customs computerized entry processing system established by the Board for the purposes of this Act. [U/s 2(15)]
- *Customs-inland Container Depot*: "Customs-inland container depot" means any place declared under section 8 to be a customs-inland container depot. [U/s 2(12)]
- *Customs-inland water container terminal*: This means any place declared u/s 8 as a customs-inland water container terminal [U/s 2(13)]
- *Customs-port*: "Customs-port" means any place declared under section 8 to be a port. [U/s 2(20)]
- *Customs-station*: "Customs-station" means any customs-port, customs-airport, land customs stations, customs-inland water container terminal or such other place as may be declared, from time to time, under section 8 [U/s 2(23)]
- *Goods*: "Goods" means all movable goods and includes
 - Conveyances
 - Baggage
 - Board specified goods
 - Stores and materials
 - Currency and negotiable instruments
 - Electronic data. [U/s 2(30)]
- *Master*: "Master", when used in relation to any vessel, means any person, except a pilot or harbour master, having command or charge of such vessel. [U/s 2(41)]
- *"Officer of customs"* means an officer appointed under section 4. [U/s 2(16)]
- *Person*: "Person" includes a company, partnership, association, firm or a body of persons. [U/s 2(39)]
- *Person-in-charge*: "Person-in-charge" means -
 - in relation to a vessel, the master of the vessel;
 - in relation to an aircraft, the commander or pilot in-charge of the aircraft;
 - in relation to a railway train, the conductor, guard or other person having the chief direction of the train;
 - in relation to any other conveyance, the driver or any other person having control of the conveyance. [U/s 2(40)]
- *Rules*: "Rules" means the rules made under this Act. [U/s 2(37)]
- *Smuggle*: "Smuggle" means to bring into or take out of Bangladesh in breach of any prohibition or restriction for the time being in force; or evading payment of customs-duties or taxes leviable thereon -
 - narcotics, narcotic drugs or psychotropic substance; or
 - gold bullion, silver bullion, platinum, palladium, radium, precious stones, currency, manufactures of gold or silver or platinum or palladium or precious stones, or any other goods notified by the Government in the official Gazette, in each case exceeding Taka ten lakhs in value; or

- any goods in breach of payment guidelines of Bangladesh Bank; or
 - any goods concealed in any manner in any place on board any ship, vessel or aircraft or in any other vehicle or in any baggage or cargo or on person; or
 - any other goods by any route other than a route declared under section 8 or 9 from any place other than a customs-station; and includes an attempt, abatement or connivance of so bringing in or taking out of such goods; and all cognate words and expressions shall be construed accordingly.
 - Any other goods. As declared by the Board through Gazette notification [U/s 2(r)]
- *Warehouse.* means a place appointed U/s 11 or a place licensed U/s 12. [U/s 2(9)]
- *Warehousing Station.* “Warehousing station” means a place declared as a warehousing station under section 10. [U/s 2(10)]
- *Wharf:* “Wharf” means any place in customs-port approved under clause (b) of section 9 for the loading and unloading of goods or any class of goods. [U/s 2(25)]

24.7

CLO
24.4

CUSTOMS AUTHORITIES

Customs authority is the empowered body through the act that has the sole authority to impose different sections under this act. NBR as per Chapter II (Section 4 to 7) of the Customs Act, 2023 deals with the appointments of the officers of customs and their powers. Apart from this, section 225 of the act talks about the appellate tribunal which also forms a part of authorities. Customs authorities with the organogram are presented in exhibit 24.1 followed by a discussion thereof.

Powers and Duties of Officers of Customs (Section 5)

An officer of customs appointed under section 5 shall exercise –

- such powers and discharge such duties as are conferred or imposed on him
- all power/discharge all duties conferred/imposed on any subordinate officer.

Provided that, the Board may impose such limitations or conditions on the exercise of such powers and discharge of such duties as it thinks fit.

Delegation of Powers (Section 6)

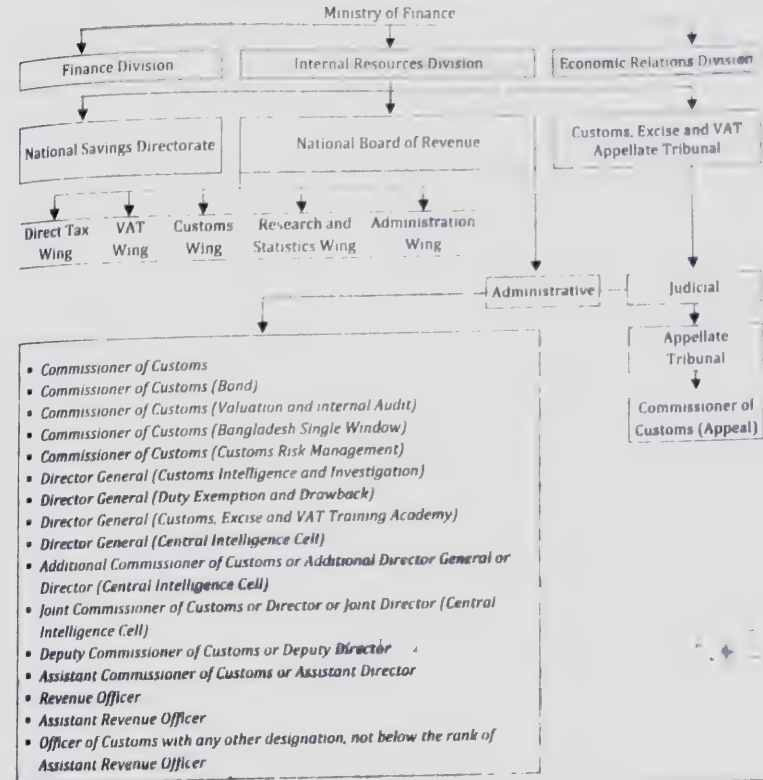
The Board may, by notification in the official Gazette, and subject to such limitations or conditions, if any, as may be specified therein, delegate the power by name or designation as given in the following figure.

According to Section 6, The Board may, by an official order, entrust, conditionally or unconditionally, any function of an officer of customs under this Act to any other officer of the Government. No such officer entrusted with any function of an officer of customs shall interfere in any manner in the performance of any function by an officer of customs in places notified under section 8 (i.e., Declaration of customs-ports, custom-airports etc.).

EXHIBIT

24.1

Customs Authority Organogram



Assistance to the Officers of Customs (Section 7)

All officers and staffs of government and semi-government organizations, law enforcement agencies, security forces, autonomous bodies, statutory bodies, financial institutions, educational institutions, private organizations, local government and non-government organizations shall assist the officers of customs in the discharge of their functions under this Act.

What is the meaning of "person-in-charge" under the Customs Act, 2023?

24.8

CLO
24.6

PROHIBITED GOODS

Some of the goods are prohibited to bring into Bangladesh whether by air or land or sea as per section 17 of the Customs Act, 2023. These are

- ☐ counterfeit coin;
- ☐ forged or counterfeit currency notes and any other counterfeit product;
- ☐ any obscene book, pamphlet, paper, drawing, painting, representation, figure, photograph, film or article, video or audio recording, CDs or recording on any other media;
- ☐ Goods brought into Bangladesh in violation of the provisions of Wildlife Conservation and Security Act 2012 (Act No. 30 of 2012).
- ☐ Fake goods used for geographical indication.
- ☐ goods having applied thereto a counterfeit trademark within the meaning of the Penal Code (Act XLV of 1860), or a false trade description within the meaning of the Section 2(5) of Trademark Act, 2009 (Act No. XIX of 2009);
- ☐ piece-goods manufactured outside Bangladesh, unless the real length thereof in standard meters or other measurement for the time being applying in Bangladesh has been conspicuously stamped on each piece in any means;
- ☐ goods made or produced violating the provisions of the Bangladesh Patent Act, 2022 (Act No. V of 2022).
- ☐ goods made or produced violating the provisions of Bangladesh Copyright Act.
- ☐ Goods prohibited under any other Act;
- ☐ Goods specified as prohibited, time to time, through official gazettee.

24.9

CLO
24.5

LEVY OF CUSTOMS DUTIES

Several types of duties are imposed on goods at the time of import or export as per various provisions (Basically Chapter 6) of the CA, 2023. The relevant discussions are:

Goods Dutiable

- ☐ *Section 18.* Except as hereinafter provided, customs duties shall be levied at such rates as are prescribed in the First Schedule or under any other in force law. *Provided that no customs duty and regulatory duty under this Act or any other tax leviable under any other law for the time being in force shall, subject to such conditions, limitations or restrictions as the Board may, from time to time, by notification in the official Gazette, impose, be levied or collected in respect thereof, if the value of the goods for assessment purpose in any one consignment does not exceed two thousand taka.*

Various Types of Duties Under the Customs Act, 2023

- ☐ *General Customs Duty u/s 18(1):* This is the duty imposed on the goods durable u/s 18(1) which are prescribed in the First Schedule i.e (i) goods imported into or exported from Bangladesh, (ii) goods brought from a foreign country to any customs-station, and without payment of customs duty there, transhipped or thence carried to and imported at, any other customs-station; and (iii) goods brought in bond from one customs-station to another.
- ☐ *Regulatory Duty u/s 18(2):* This is the duty which may be imposed by the Government through notification in the official gazette on all or any of the goods specified in the First Schedule in addition to the General Customs Duty imposed under u/s 18(1) at a rate not exceeding two times of the highest rate of General Customs Duty.

Explanation- The rate of regulatory duty on any such goods may be higher than that of the customs-duty leviable on that goods as prescribed in the said Schedule, provided such regulatory duty does not exceed two times of the highest rate of customs-duty of that Schedule.

- ☐ *Countervailing Duty u/s 19:* Where any country or territory pays, bestows, directly or indirectly, any subsidy upon the manufacture or production therein or the exportation therefrom of any goods including any subsidy on transportation of such goods, then, upon the importation of any such goods into Bangladesh, whether the same is imported directly from the country of manufacture, production or otherwise, and whether it is imported in the same condition as when exported from the country of manufacture, production or otherwise, the Government may, by notification in the official gazette, impose a countervailing duty not exceeding such subsidy.
- ☐ *Anti-dumping Duty u/s 20:* Where any goods are exported from any country or territory to Bangladesh at less than the normal value, then, upon the importation of such goods into Bangladesh, the Government may, by notification in the official gazette, impose an anti-dumping duty not exceeding the 'margin of dumping' (the difference between the export price and the normal value) in relation to such goods.
- ☐ *Safeguard Duty u/s 23:* This is the duty which may be imposed by Government when it is satisfied that any article is being imported into Bangladesh in such increased quantities and under such conditions that such importation may cause or threaten to cause serious injury to domestic industry.

24.10

CLO
24.5

EXEMPTIONS FROM CUSTOMS DUTY

Considering the improvement of economic development and social welfare of Bangladesh, the government has allowed the import or export of some relevant goods fully or partly exempted from customs duty. Section 25 explained the provisions regarding the exemption.

- ☐ *General Exemption [section 25(1)]:* If the Government is satisfied, after consultation with the National Board of Revenue (NBR), that it is necessary in the

public interest to do so, it may, by notification in the official gazette, exempt any goods imported into, or exported from Bangladesh or into or from any port or station or area therein, from the whole or any part of the Customs Duty chargeable thereon. Provided that if, in a financial year, exemption under this sub-section is given in respect of any goods, the rate of duty cannot be changed more than once in that year so as to increase that rate.

- **Exemption in Special Circumstances [section 25(2)]:** If the Government is satisfied that it is necessary in the public interest to do so, to comply with any international or bilateral agreement of reciprocal basis, it may, by a special order, exempt any goods from payment of the whole or any part of the Customs Duty chargeable thereon.
- **Special Exemption [section 25(3)]:** The government may, by special order, exempt any goods from payment of the whole or any part of the Customs Duty chargeable thereon during import.

24.11 VALUATION OF GOODS FOR IMPOSITION OF DUTY

CLO
24.7

The valuation of goods for imposition of duty is done on the basis of the various provisions of section 27 of the Customs Act, 2023 and The Customs valuation (Fixing the price of Imported goods) Rules, 2000. A brief summary are as follows:

Value of Imported Goods Under Section 27(1-5)

The provisions for computation of the value of goods for charging customs duty are as follow.

- **Whenever customs-duty is leviable on any goods by reference to their value, the actual price, that is, the price actually paid or payable, or the nearest ascertainable equivalent of such price, at which such or like goods are ordinarily sold, or offered for sale, for delivery at the time and place of importation or exportation, as the case may be, in course of international trade under fully competitive conditions, where the seller and the buyer have no interest in the business of each other and the price is the sole consideration for sale or offer for sale, shall be the value.**
- **Notwithstanding anything contained in this section, the Government may, by notification in the official Gazette, fix, for the purpose of levying customs duties, tariff values or minimum values for any goods imported or exported as chargeable with customs-duty ad valorem. Provided that any imported or exported goods, the declared value of which is higher than its tariff value fixed under this sub-section, shall be chargeable with customs duties based on its declared value [section 25(3)].**

24.12 DATE FOR DETERMINATION OF RATE OF DUTY, VALUE AND EXCHANGE RATE FOR IMPORTED GOODS

CLO
24.5

According to section 30, the date for determination of the duty value and exchange rate of imported goods and rate of import duty will be:

In the case of goods cleared for home consumption	Date on which the declaration of goods is registered.
In the case of goods cleared for a warehouse for home consumption	Date on which the goods are registered under section 83.
In the case of any other goods	Date of payment of duty.

24.13 PREVENTION OF SMUGGLING, POWERS OF SEARCH, SEIZURE ETC.

CLO
24.4

Power to Search [Sections 177, 178, and 179]

An appropriate officer of Customs may search any person if he has reason to believe that the person is carrying goods liable to confiscation. The person who has landed from or is on board or is about to board a vessel within the Bangladesh customs-waters, or if he has alighted from or is about to get into or is in any other conveyance arriving in or proceeding from Bangladesh, or if he is entering or about to leave Bangladesh, or if he is within the limits of any customs-area, may be searched in this regard [U/S - 177].

The Searching officer of Customs shall inform the person about his right to be taken to a gazetted officer of Customs or Magistrate. If it is found that there is no reasonable ground for search, the person would be discharged from any search or else the search would be made in the presence of two or more persons and witness. A female can be searched by female only [U/S-178].

If the searching officer has reason to believe that any person has any goods liable to confiscation secreted inside his body, he may detain such person and produce him to a qualified radiologist for X-Raying his body [U/S - 179]. In all the above cases, a seizure list would be prepared by the concerned Customs Authority for future reference.

Power to Arrest [Section 180]

Any authorized Customs officer or any person duly empowered for the prevention of smuggling who has reason to believe that any person has committed an offence under this Act may arrest such person.

Power to Stop and Search Conveyance [Section 185]

Where the appropriate officer has reason to believe that within the territories of Bangladesh (including territorial waters) any conveyance has been, is being, or is about to be, used in the smuggling of any goods or in the carriage of any smuggled goods, he may at any time stop any such conveyance or, in the case of an aircraft, compel it to land and can use any lawful means for stopping it or preventing its escape including, if all other means fail, firing upon it.

Seizure of Things Liable to Confiscation [Section 191]

The appropriate officer may seize any goods liable to confiscation under this Act, and where it is not practicable to seize any such goods, he may serve on the owner of the goods or any person holding them in his possession or charge an order that he shall not remove, part with, or otherwise deal with the goods except with the previous permission of such officer. They may also seize any documents or things which in his opinion will be useful as evidence in any proceeding under this Act.

24.14 OFFENCES AND PENALTIES

CLO
24.4

Whoever commits any offence shall, in addition to and not in derogation of any punishment to which he may be liable under any other law, be liable to the punishment mentioned against that offence as per section 171. Under this section various penalty measures of 45 types of offences are enumerated. The details of this section can be found in the website of the BD Ministry of Law [<http://bdlaws.minlaw.gov.bd/act-1476/section-53603.html>]

24.15 ALTERNATIVE DISPUTE RESOLUTION

CLO
24.4

To ease the customs related dispute settlement, the provisions of Alternative Dispute Resolution has been introduced through the inclusion of a separate chapter in the Customs Act, 2023 (Chapter XXV). Notwithstanding anything contained in Customs Act any dispute of an importer or exporter lying with any customs authority or Commissioner of Customs (Appeal) or Appellate Tribunal or High court or Appellate Division of the Supreme Court may be resolved through Alternative Dispute Resolution (hereinafter referred to as ADR) in the manner described in the sections (216-219) of this Chapter and rules made thereunder. The basic features under this chapter are discussed below in brief:

- ☐ *Commencement of ADR Process [section 216(2)]*: The ADR as mentioned in this Chapter shall come into force on such date and in such class or classes of assesses as the Board may determine by notification in the official Gazette.
- ☐ *Definition and Scope of Disputes for ADR [section 217]*: For the purposes of this chapter, "dispute" means-
 - any case or proceeding-
 - ☐ related to customs valuation or, for imposition of fine or penalty in relation to the determination of customs valuation of any imported consignment;
 - ☐ pending before any customs authority or Commissioner of Customs (Appeal) or Appellate Tribunal or High court or Appellate Division of the Supreme Court;

Notwithstanding anything contained in above section, the following disputes shall not be dealt with ADR, namely:

- fraud or criminal cases;
- disputes involving allegations of money laundering;

- disputes involving seizure and confiscation of prohibited, restricted or smuggled goods;
- disputes involving customs classification of imported goods; and
- disputes on alleged evasion of duties and taxes through the resort to misdeclaration of H.S.Code, name and quantity of goods, fraud of documents, violation of import and export policy or violations of customs bonded warehouse related licensing and/or bond related conditions.

- ☐ *Appointment of Facilitator and duties of the parties concerned [Section 218]*: For the purposes of resolving a dispute in an alternative way, the Board may select or appoint Facilitator and determine his duties and responsibilities by rules.
- ☐ *Processing and Disposal of Applications for ADR [Section 219]*: Applications received from the aggrieved importer or exporter for ADR within this chapter, is to be processed and disposed of, according to the rules.

24.16 TRAVEL TAX

CLO
24.8

In Bangladesh, travel tax is levied as per section 3 of the Travel Tax Act, 2003. The relevant provisions applicable to impose travel tax are as follows:

Procedure and Rate of Travel Tax

The procedure of collection and rate of travel tax under section 3 is as follows:

- ☐ Travel tax is collected from a passenger who travels inside Bangladesh and from Bangladesh to any country by air, land or sea.
- ☐ The Government may, by rules, prescribe the rate of Travel Tax.
- ☐ Travel Tax is to be levied and collected from each passenger at rate mentioned below (for different modes of travel) effective from July 01, 2023.

Air	▪ Tk. 6,000 for travelling to any country in North/South America, Europe, Africa, Australia, New Zealand, China, Japan, Hongkong, North Korea, Vietnam, Laos, Cambodia and Taiwan;
	▪ Tk. 2,000 in case of travel to any SAARC country by air;
	▪ Tk. 4,000 for any country except countries mentioned above.
	▪ Tk. 200 in case of travel inside Bangladesh by Air
Sea/Water	▪ Tk. 1,000 to any country travelling through sea/water.
Land	▪ Tk. 1,000 to any country travelling through land.

- ☐ Provided that travel tax will be imposed @ 50% of the above rate for the passengers not exceeding 12 years of age.
- ☐ Producer for collection of travel Tax shall be prescribed by regulations.
- ☐ Tax collected in accordance with the procedure under sub-section (1) shall be deposited to the government Treasury within the prescribed time.
- ☐ Where any person or organization, responsible for collection of Travel Tax fails to deposit the Travel Tax so collected to the Government Treasury within the prescribed time, an amount equal to the amount which he or it fails to deposit to

EXHIBIT

Rate of Excise Duty

[Reference: SRO No. 136-L/2024/242-Excise dated May 27, 2024]

Services Rendered by Bank or Financial institutes [Service code E032.00]

• If the balance (Debit/Credit) ≤ Tk. 100,000 at any time during a year	Nil
• If the balance (Debit/Credit) > Tk. 100,000 but < Tk. 500,000	Tk. 150 per account per year
• If the balance (Debit/Credit) > Tk. 5 Lakh but < Tk. 10 lakh	Tk. 500 per account per year
• If the balance (Debit/Credit) > Tk. 10 lakh but < Tk. 50 lakh	Tk. 3,000 per account per year
If the balance (Debit/Credit) > Tk. 50 lakh but < Tk. 1 crore	Tk. 5,000 per account per year
• If the balance (Debit/Credit) > Tk. 1 crore but < Tk. 2 crore	Tk. 10,000 per account per year
If the balance (Debit/Credit) > Tk. 2 crore but < Tk. 5 crore	Tk. 20,000 per account per year
• If the balance (Debit/Credit) > Tk. 5 crore	Tk. 50,000 per account per year

Services Rendered by Airline [Service code E033.00]

• Services rendered by airline through issuing a domestic "Airline Ticket per Seat" for single journey, which may involve stops over on its way to ultimate airport of destination	Tk. 500
• Services rendered by airline through issuing an international "Airline Ticket per Seat" for single journey, which may involve a connecting flight from a domestic airport	→ SAARC countries Tk. 500 → Other Asian countries Tk. 2,000 → For rest of the World Tk. 3,000
• Foreign national of Diplomatic class, showing his/her diplomatic passport at the Airline Ticket counter and check-in counter.	Nil

24.18 BAGGAGE RULES

CLO
24.8

In Bangladesh, for non-tourist passengers the applicable baggage rules is named as the Non-tourist passenger (incoming) Baggage rules, 2024 (SRO No 203/Law/2024/55/Customs dated 29/05/2024). The relevant provisions of Baggage Rules are:

- ☐ This rule shall not be applicable to Tourist passenger, Privileged person, Transit passenger & Crew, and coastal goods
- ☐ Any item brought as Baggage, but not falling in the category of personal and household effects is subject to the payment to the custom duty, value added tax and supplementary duty.
- ☐ If any passenger doesn't carry any dutiable goods, he can use green channel (if any) to enter.
- ☐ All passengers coming from abroad must fill up Schedule 1 form to declare the nature of baggage.

the Government Treasury, and in addition an interest at the rate of two percent per month of such tax, shall be collected from such or organization.

☐ The aggrieved party may apply to consider the fine within 30 days of receiving the order and NBR will settle the case within 60 days of receiving the application and the decision made by the NBR will be considered as final decision.

Exemption from Travel Tax [Section 4]

The Government may, by notification in the official Gazette, exempt any person or class of persons from Travel Tax payable under this Act. Notwithstanding anything contained in section 3, the following passengers be exempted from travel Tax payable under this Act, namely,

- (a) Passengers upto 5 years old; (b) Any person traveling to Saudi Arabia for Hajj; (c) Blind person, Patient suffering from Cancer, and Invalid person with stretcher cases; (d) Officials of the United Nations and the members of their family; (e) Members of the diplomatic mission in Bangladesh holding diplomatic status and the members of their family; (f) Staffs and their family members in Bangladesh working for the World Bank, German Technical Organization, Japan International Development Organization; (g) Airlines crew on duty; (h) Transit passengers without Bangladesh VISA who shall not stay in Bangladesh for more than seventy two hours; and (i) Bangladeshi citizen working in any Airlines who enjoy free or reduced fare for foreign travel.

24.17 EXCISE DUTY

CLO
24.8

Excise Duty is a tax on goods produced inland. It is a tool of government revenue collection. The government can use it with the motive of 'income distribution' or for implementing the benefit principle of taxation i.e., collection of funds through excise on particular products (like Tobacco) and using the funds for assisting people affected by consumption of that product. Excise duty is also imposed to discourage the consumption of certain so-called 'undesirable' commodities (e.g., liquor and tobacco) or to control or ration the consumption of certain commodities in times of external scarcity (such as in wartime) or inflationary pressure.

Excise duty is imposed in Bangladesh under the Excise and Salt Act 1944 (Act I of 1944) enacted on 24 February 1944. This law was introduced to levy and collect excise duties on salt and on goods manufactured or produced in the sovereign territory of the country. Before introducing Value Added Tax (VAT) in July 1991, the excise constituted the second largest source of revenue for the government (about 22% of total revenue). But VAT had reduced the tax-coverage of excise duty to a minimum. Excise duty is collected by the Customs, Excise and VAT wing of the NBR. The services subject to excise duty are listed in the Part II of the First Schedule of the Excise and Salt Act 1944 and their list includes services rendered by Bank or Financial Institution and Airline. The rates of excise duty for the assessment year 2023 – 2024 are as follows:

- Any passenger who has been abroad will be exempted from any duties, customs duty, value added tax and supplementary duty.
- A passenger can import unaccompanied baggage once in a calendar year.

Duty Incentives for Passengers

- *Duty incentives for passengers arriving by air or sea:*
- Any passenger (aged 12 years or above) arriving by air or sea carrying with him or her any handbag, cabin bag, or other means of baggage weighting no more than 65 kilograms shall be exempted from customs, value added and supplementary duty.

However, in addition to above mentioned baggage, weighting not exceeding 35 kg containing books, magazines, personal and household effects, study related materials and educational items can also be cleared duty-free.

- In case of any passenger (aged less than 12 years) arriving by air or sea, one carton or bag, or other means of baggage weighting no more than 40 kilograms shall be exempted from customs, value added and supplementary duty. Other than this, no other facilities will be applicable for a passenger of less than 12 years old.

Provided that passenger of less than 12 years old is not eligible to carry gold bar/ gold bullion / silver bar / silver bullion / alcohol or alcohol type drinks / and gold ornaments / silver ornaments / one carton (200 stick) cigarette.

- Unaccompanied baggage fulfilling the above conditions can also be cleared duty free subject to its declaration in Schedule 1 Form. A photocopy of the Declaration Form must be submitted to the concerned Customs Officer in this regard.
- Any passenger can import one piece item (in case of mobile phone 2) and shall pay tax and duty as mentioned in Schedule 3 & 2.
- Any foreign national (not applicable for Bangladeshi Passholders) can import up to 1 liter of spiritual beverage that is spirits, wines, beer without custom duty.
- Any passenger, not importing any product listed in Schedule 2 and 3, can purchase those declaring it in Schedule 4 within 7 days of his/her arrival.
- A passenger may import the machinery or equipment used by him for his profession which can be carried easily without custom duty.
- A passenger may import gold ornaments upto 100 gram or silver ornaments upto 200 gram without custom duty (maximum 12 items of same design / category).
- A passenger may import solid gold / gold bar upto 117 gram (10 tola) and silver bar upto 234 gram (20 tola) subject to the payment of custom duty.

Any gold/silver brought exceeding the allowable limit shall be seized according to the relevant Act.

- *Duty incentives for passengers arriving by road:*
Any passenger irrespective of his time of staying in abroad, can import maximum \$400 worth baggage without paying any customs duty. Such incentive will be applicable not more than three times for a passenger in a calendar year.
- *Duty incentives for sick or disable passengers:*
Medical equipments and wheel chair used for any sick / disable /old passenger arriving by air or sea or land can be imported without paying any customs duty.
- *Duty incentives for crews, sailors and others:*
 - Any crew or official, working in any Bangladeshi Airlines or in any foreign airlines that operates in any Bangladeshi Airport, can import maximum \$300 (three hundred) worth baggage without paying any customs duty.
 - Any Bangladeshi sailor or official of ship coming from any foreign seaport can import maximum \$300 (three hundred) worth baggage without paying any customs duty. But if the sailor signs off than he can import maximum \$2,000 (two thousand) worth baggage on payment of relevant customs duty.
 - Any driver and steward (helper/assistant) of passenger buses coming from abroad can import their personal belongings (wearing apparel, bed & cooked food) and maximum \$50 (fifty) worth baggage without paying any customs duty

Duty Free Baggage Items (Schedule 3)

Cassette Player/Twin one; Discman/Walkman (Audio); Portable Audio CD Player; Desktop/Laptop Computer (including one UPS); Computer scanner; Computer Printer; Fax machine; Video Camera (excluding HD/DV/BETA Cam, DSLR, Mirrorless, Interchangeable Lens Camera, or camera for professional use); Still camera or Digital camera (except DSLR, Mirrorless, Interchangeable Lens Camera, or camera for professional use); Ordinary or Pushbutton or Cordless Telephone Set; Ordinary or Electric or Microwave Oven; Rice Cooker or Pressure Cooker or Gas Oven (with burner); Toaster or Sandwich maker or Blender or Food processor or Juicer or Coffee maker; General and Electric typewriter; Household Sewing Machine (manual /electric); Table/Pedestal/household Ceiling fan; Sportswear/material (for using personal purpose); 100 grams gold or 200 grams silver ornaments (maximum 12 pcs of each item); One Cartoon Cigarette (200 stick); VCR/VCP; Ordinary CD and Double Speaker Music Centre (CD/VCD/DVD/LD/MD Set); Four Speaker Music Centre (CD/VCD/DVD/LD/MD/Blue Ray Disc Player); Upto 19" LCD Computer Monitor (with/without TV output); Two Mobile/Cellular Phone Set; a carpet not exceeding 15 square meter.

Taxable Baggage Items (Schedule 2)

- Import goods, other than personal and household items are taxable.
- Any baggage imported in excess of duty-free limit.
- Imported items that are used for commercial purpose are taxable
- The following tax will be applicable in case of import baggage's even if they are used for household or personal purpose:

Plasma, LCD, TFT, LED and Similar nature Television:	
□ 30" - 36"	Tk. 10,000
□ 37" - 42"	20,000
□ 43" - 46"	30,000
□ 47" - 52"	50,000
□ 53" - 65"	70,000
□ Above 65"	90,000
New Mobile Cellular Phone Set	
□ Price ≤ Tk. 30,000	Tk. 5,000
□ Tk. 30,000 < Price ≤ Tk. 60,000	10,000
□ Price ≥ Tk. 60,000	25,000
Music Center with more than 4 but maximum 8 speakers, Home Theater (CD/VCD/DVD/LD/MD/Blue Ray Disc Set)	8,000
Refrigerator Deep Freezer	5,000
Air Cooler Air Conditioner: Window type	7,000
Air Cooler/Air Conditioner: Split type upto 18,000 BTU	15,000
Air Cooler/Air Conditioner: Split type above 18,000 BTU	20,000
Dish Antenna	7,000
Gold bar (maximum 117 gram), duty per 11.664 gram	4,000
Silver bar (maximum 234 gram), duty per 11.664 gram	6
HD/DV/BETA Cam, DSLR, Mirrorless, Interchangeable Lens Camera, or camera for professional use	15,000
Air Gun/Air Rifle (Imported with the permission of MoC)	5,000
Jharbati (Chandelier/Candelabrum), duty per point	300
Dish Washer/Washing Machine/ Cloth Dryer	3,000

24.19 NARCOTICS DUTY

CLO
24.8

We had no adequate and enabling law in the eighties to handle the sordid condition created by drug abuse and the related issues. All that we had at that time were some colonial laws (the Opium Act, 1878, the Excise Act 1909, the Dangerous Drugs Act 1930, the Opium Smoking Act 1932, and the Prohibition Rules, 1950) inherited from the British and Pakistan period.

These laws were intended and designed for earning government revenues through excise levying activities. These laws, however, proved to be inadequate to suit the needs of the time. The Government of the People's Republic of Bangladesh enacted the **Narcotics Control Act in 1990** repealing all the colonial laws with a view to encountering drug problem true to the aspiration of our society.

The Narcotics Control Act, 1990 came into force on 2nd January 1990. Due to the immense use of some new types of drugs like Yaba, Shisha etc. it was necessary to update the law. Under such circumstances, the government has introduced a new Act titled "The **Narcotics Control Act 2018 [Act No. 63 of 2018]**" which came into force on November 14, 2018. The detailed Act may be read and downloaded from the official website of the Bangladesh Ministry of Law <http://bdlaws.minlaw.gov.bd/act-1276.html>

KEY POINTS

- Customs Duty involves a tax on commodities entering and leaving the country.
- The Customs Act, 2023 was made effective in Bangladesh by Act no. 57 of 2023 with effect from 01 July 2024.
- NBR as per Chapter II (Section 4 to 7) of the Customs Act, 2023 deals with the appointments of the officers of customs and their powers.
- Some of the goods are prohibited to bring into Bangladesh u/s 17 of the Customs Act.
- Several types of duties are imposed on goods at the time of import or export as per various provisions (Basically Chapter VI) of the CA, 2023.
- Customs-duties shall be levied at such rates as are prescribed in the First Schedule.
- The valuation of goods for imposition of duty is done based on Section 18 of the Customs Act, 2023 and The corresponding Customs valuation Rules issued by NBR.
- An appropriate officer of Customs Authority may search any person if he has reason to believe that the person is carrying goods liable to confiscation.
- Any authorized Customs officer or any person duly empowered for the prevention of smuggling who has reason to believe that any person has committed an offence under this Act may arrest such person.
- Specified amount of travel tax is collected from a passenger who travels from Bangladesh to any country by air, land or sea.



- (a) What amount of excise duty is applicable from an account with a balance of Tk. 10 crore?
- (b) When can a passenger use the green channel to enter Bangladesh?
- (c) What travel tax amount is applicable for travelling a SAARC country by air?

2. Which one is a prohibited good? (a) Counterfeit coin (b) Arms (c) Medicine (d) 2000
3. Which section of the Customs Act, 2023 is relevant to valuation of goods? (a) 16 (b) 27 (c) 86 (d) Energy saving light
4. Amendment of assessment can be done within - (a) 1 year (b) 2 years (c) 3 years (d) 156
5. Assessment of duty is mentioned in which provision of the Customs Act, 1969? (a) 18 (b) 25 (c) 86 (d) 4 years
6. Which tax is not imposed as per the provisions of the Customs Act, 2023? (a) Value Added Tax (b) Customs Duty (c) Regulatory Duty (d) 156
7. Which of the following duty is not imposed as per Customs Act? (a) Anti-dumping duty (b) Safeguard duty (c) Regulatory duty (d) Countervailing duty
8. The provisions of offences and prosecution under the Customs Act, 2023 are mentioned in section - (a) 120 (b) 171 (c) 180 (d) Supplementary duty
9. In case of travel to any country by sea, the travel tax amount is - (a) Tk. 2,500 (b) Tk. 1,800 (c) Tk. 1,000 (d) 198
10. Who is not exempted from paying travel tax? (a) Child (b) Blind person (c) UN officials (d) Tourists

TRUE (T) OR FALSE (F) IDENTIFICATION

- Customs duty is a direct tax.
- Customs duty is payable in case of export or import of goods and services.
- Customs duty contributes the highest in the tax revenue.
- Anti-dumping duty is imposed as per the Customs Act, 2023.
- Travel tax is imposed as per the Customs Act, 2023.

<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F
<input type="checkbox"/> T	<input type="checkbox"/> F

DISCUSSION QUESTIONS (DQ)

- DQ24.1 Define Customs duty? Discuss the customs procedure.
- DQ24.2 What are the prohibited goods as per the Customs Act, 2023?
- DQ24.3 Explain the various types of duties as per the Customs Act, 2023.
- DQ24.4 What are the dates for determination of the value of imported goods and rate of import duty?
- DQ24.5 Discuss the provisions of the assessment of duties as per the Customs Act, 2023.
- DQ24.6 What are the provisions applicable for alternative dispute resolution?
- DQ24.7 What is the travel tax rates applicable in Bangladesh?
- DQ24.8 Who are exempted from paying travel tax in Bangladesh?
- DQ24.9 What is the excise duty rates applicable for maintaining bank accounts in Bangladesh?
- DQ24.10 What are the taxable and duty-free baggage items?

ANSWERS

MULTIPLE CHOICE QUESTIONS

1	2	3	4	5	6	7	8	9	10
c	a	b	c	a	a	d	b	c	d

TRUE/FALSE

1	2	3	4	5
F	T	F	T	F

SELF - REVIEW 24.1

According to the Section 2(40) of the Customs Duty Act, 2023, the term "Person-in-charge" means -

- ☐ in relation to a vessel, the master of the vessel;
- ☐ in relation to an aircraft, the commander or pilot in-charge of the aircraft;
- ☐ in relation to a railway train, the conductor, guard or other person having the chief direction of the train;
- ☐ in relation to any other conveyance, the driver or any other person having control of the conveyance.

SELF - REVIEW 24.2

- (a) Tk. 50,000 per account per year
- (b) If any passenger doesn't carry any dutiable goods, he can use green channel (if any) to enter.
- (c) Tk. 2,000